

Learner's Book

# BUSINESS STUDIES

# 12



**basic education**

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

**Foreword from Absa**

Absa is playing a shaping role in Africa's growth and sustainability through a focused set of actions that bring commercial and societal outcomes together, creating shared value. Absa implemented a range of programmes aimed at enabling access to quality education to contribute towards an inclusive society. Absa in partnership with the Department of Education is a proud funder and supporter of the Digital Learner Books and Teacher Guides for Business Studies Grades 10 to 12

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, Habiels Adams, Handri van Roon, Hester Steenkamp, Joyce Strydom, Leicester Momberg, Madeline Trollope, Maselo Ditshego, Medupe Shadrack Mmuli, 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 Lhuillary-Moulder Project Coordination – Absa, Zainab Karriem Publishing – Absa

**Grade 12 Learner Book**

**Book ISBN:** 978-1-77633-225-0

**First published** in 2022

Published by: The Training Room Online and Imprint Publishing

Copyright in the text remains with the contributors.

**Restrictions**

You may not make copies of this book in part or in full – in printed or electronic or audio or video form – for a profit seeking purpose.

**Rights of other copyright holders**

All reasonable efforts have been made to ensure that materials included are not already copyrighted to other entities, or in a small number of cases, to seek permission from and acknowledge copyright holders. In some cases, this may not have been possible. The publishers welcome the opportunity to redress this with any unacknowledged copyright holders.

# Contents

## TERM 1

<b>Topic 1</b>	<b>The impact of recent legislation on businesses</b>	<b>1</b>
<b>Unit 1.1</b>	The Skills Development Act (SDA) (No. 97 of 1998)	4
<b>Unit 1.2</b>	The Labour Relations Act (LRA) (No. 66 of 1995)	10
<b>Unit 1.3</b>	The Employment Equity Act (EEA) (No. 55 of 1998)	13
<b>Unit 1.4</b>	The Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)	17
<b>Unit 1.5</b>	The Compensation for Occupational Injuries and Diseases Amendment Act (COIDA) (No. 61 of 1997)	22
<b>Unit 1.6</b>	The Broad-Based Black Economic Empowerment Act (BBBEE) (No. 53 of 2003, as amended in 2013)	25
<b>Unit 1.7</b>	The National Credit Act (NCA) (No. 34 of 2005)	29
<b>Unit 1.8</b>	The Consumer Protection Act (CPA) (No. 68 of 2008)	32
	<b>Consolidation</b>	36
<b>Topic 2</b>	<b>The human resources function</b>	<b>45</b>
<b>Unit 2.1</b>	Recruitment	48
<b>Unit 2.2</b>	Selection	52
<b>Unit 2.3</b>	Induction	59
<b>Unit 2.4</b>	Placement	61
<b>Unit 2.5</b>	Salary determination	63
<b>Unit 2.6</b>	Fringe benefits	64
<b>Unit 2.7</b>	The implications of the legislation on the human resources function	67
	<b>Consolidation</b>	70
<b>Topic 3</b>	<b>Ethics and professionalism</b>	<b>82</b>
<b>Unit 3.1</b>	Understanding ethical and professional behaviour	84
<b>Unit 3.2</b>	Application of the King Code principles	87
<b>Unit 3.3</b>	Challenges posed by unethical and unprofessional business practices	89
	<b>Consolidation</b>	96
<b>Topic 4</b>	<b>Creative thinking and problem-solving</b>	<b>98</b>
<b>Unit 4.1</b>	Problem-solving	99
<b>Unit 4.2</b>	Creative thinking	108
	<b>Consolidation</b>	112

<b>Topic 5</b>	<b>Macro environment: Business strategies</b>	<b>114</b>
<b>Unit 5.1</b>	The strategic management process and business strategies	117
<b>Unit 5.2</b>	Industrial analysis tools	129
<b>Consolidation</b>		140
<b>Formal Assessment Tasks: Term 1</b>		149

## TERM 2

<b>Topic 6</b>	<b>Business sectors and their environments</b>	<b>155</b>
<b>Unit 6.1</b>	Business sectors	156
<b>Unit 6.2</b>	Business environments	159
<b>Consolidation</b>		165
<b>Topic 7</b>	<b>Quality of performance</b>	<b>168</b>
<b>Unit 7.1</b>	Quality and quality concepts	170
<b>Unit 7.2</b>	Total Quality Management (TQM)	178
<b>Consolidation</b>		190
<b>Topic 8</b>	<b>Management and leadership</b>	<b>198</b>
<b>Unit 8.1</b>	Distinguishing between management and leadership	199
<b>Unit 8.2</b>	Applications and impact of the five leadership styles in the workplace	203
<b>Unit 8.3</b>	Understanding the three leadership theories	208
<b>Consolidation</b>		214
<b>Topic 9</b>	<b>Investment: Securities</b>	<b>216</b>
<b>Unit 9.1</b>	Functions of the Johannesburg Securities Exchange (JSE)	217
<b>Unit 9.2</b>	Factors that should be considered when making an investment decision	218
<b>Unit 9.3</b>	Types of investment opportunities and risk factors	221
<b>Unit 9.4</b>	Forms of investments	224
<b>Unit 9.5</b>	Understanding simple and compound interest	232
<b>Consolidation</b>		236
<b>Topic 10</b>	<b>Investment: Insurance</b>	<b>238</b>
<b>Unit 10.1</b>	Insurance concepts	240
<b>Unit 10.2</b>	The principles of insurance	244
<b>Unit 10.3</b>	Advantages/Importance of insurance for businesses and insurable risks	246
<b>Consolidation</b>		256

<b>Topic 11</b>	<b>Team performance assessment and conflict management</b>	<b>258</b>
<b>Unit 11.1</b>	Criteria for successful team performance	260
<b>Unit 11.2</b>	The five stages of team development	262
<b>Unit 11.3</b>	Conflict resolution techniques/steps	265
<b>Consolidation</b>		272
<b>Formal Assessment Tasks: Term 2</b>		274

## TERM 3

<b>Topic 12</b>	<b>Human rights, inclusivity and environmental issues</b>	<b>288</b>
<b>Unit 12.1</b>	Unpacking human rights	290
<b>Unit 12.2</b>	The meaning of diversity in the workplace	295
<b>Unit 12.3</b>	Understanding environmental factors	300
<b>Consolidation</b>		305
<b>Topic 13</b>	<b>Social responsibility and corporate citizenship: CSR &amp; CSI</b>	<b>306</b>
<b>Unit 13.1</b>	Understanding social responsibility	307
<b>Unit 13.2</b>	Revising socio-economic issues	310
<b>Unit 13.3</b>	Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)	313
<b>Consolidation</b>		319
<b>Topic 14</b>	<b>Presentations and data responses</b>	<b>320</b>
<b>Unit 14.1</b>	Factors that must be considered when preparing for a presentation	322
<b>Unit 14.2</b>	Areas of improvement for the next presentation	325
<b>Unit 14.3</b>	The impact/effectiveness of SIX visual aids	329
<b>Consolidation</b>		334
<b>Topic 15</b>	<b>Forms of ownership: Criteria for success and/or failure</b>	<b>336</b>
<b>Unit 15.1</b>	Forms of ownership	337
<b>Unit 15.2</b>	Meaning of limited liability and unlimited liability	338
<b>Unit 15.3</b>	Criteria that will be used to evaluate the success and/or failure of the forms of ownership	339
<b>Unit 15.4</b>	Forms of ownership and the contribution of the criteria to the success and/or failure of each form of ownership	341
<b>Consolidation</b>		360
<b>Formal Assessment Task: Term 3</b>		362
<b>Glossary</b>		378

# How to use this book

Welcome to the Business Studies Grade 12 Learner's Book. Please read the information below about the book before you start using it. This book provides you with all the information required to cover the Grade 12 curriculum. It will also help you develop the necessary skills, attitudes and values required to excel in Business Studies.

Each chapter in the book has the following features:

## Topic Overview

This is an overview of the content and the units of the chapter.



### TOPIC OVERVIEW

- **Unit 1.1** The Skills Development Act (SDA) (No. 97 of 1998)
- **Unit 1.2** The Labour Relations Act (LRA) (No. 66 of 1995)

## 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:

- ❖ outline/describe/explain/discuss the strategic management process
- ❖ apply the strategic management process to solve business-related problems
- ❖ explain/describe/discuss the following types of business strategies:
  - integration strategies
  - intensive strategies
  - diversification strategies
  - defensive strategies



### PLAYLIST

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



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoSJuhXHcDHDsxpXbniaM6>

## 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 and 11. Furthermore, at other times it will give you a short summary that introduces the content that follows.

## Introduction

In Grade 10 you were introduced to the concepts ‘management’ and ‘leadership’. The differences between these two concepts were elaborated on and explained. Both leaders and managers work with employees within an organisation. The major difference between a manager and a leader relates to how they deal with their employees and how they make their decisions – while a leader thinks with his/her heart, a manager thinks with his/her head. The kind of decisions made by these two executives in the organisation influences their interaction with employees.

### A New words

**affirmative action** the policy and process of providing preferences in employment opportunities for previously disadvantaged people. Affirmative action is, therefore, a policy embedded in the EEA

### New words

These are new/difficult words that you may not have encountered before. A brief explanation of 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 determine whether you have understood the content presented in the book.

### Activity 1.1

#### Homework/Classwork

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

##### DURBAN FRIED CHICKEN (DFC)

Durban Fried Chicken has lowered the prices of their products to increase the market share. The success of the business has led to DFC opening a new branch in Mpumalanga.

- 1.1.1 Identify TWO types of intensive strategies applied by DFC. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

INTENSIVE STRATEGIES	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2 Explain the other intensive strategy that could be applied by DFC. (3)

- 1.1.3 Advise the management of DFC on the advantages of intensive strategies. (6)

[15]

### **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**

To attain an artisan equivalent qualification, which is an NQF Level 4 qualification, four separate learnerships will have to be completed – this means that qualifications at NQF levels 1, 2, 3 and 4 will have to be attained to be granted the artisan learnership qualification or L4 certificate.

### **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 following information is provided for enrichment purposes.

### **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**

Skills Development Act



<https://www.youtube.com/watch?v=HvaXBNf2Dg4>

### **Tip**

Mastering any FIVE facts per heading may significantly improve your chances of securing a pass and achieving a positive result for Business Studies.



### **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

## PROPOSAL TO EXPAND MATERNITY LEAVE RIGHTS IN SOUTH AFRICA?

The South African Law Reform Commission (SALRC) has called for comments on a discussion paper around maternity leave rights in South Africa. The discussion paper specifically focuses on pregnant workers who are self-employed, with these workers falling into something of a legislative loophole under current maternity regulations. South African mothers are entitled to four months of maternity leave and employees who contribute to UIF are also eligible to receive that benefit.

Some companies pay as much as 75% to 100% of a new mother's salary while on maternity leave and if there is a shortfall, this can be claimed from the UIF. "A gap currently exists in the state's social protection system, in that self-employed workers in the informal economy are excluded from receiving maternity and parental benefits when the mother enters confinement," the SALRC said. "This situation exacerbates the socioeconomic problems of poverty and inequality between women and men in South Africa, prevents women's full economic participation, and impacts on their reproductive choices."

Source: [businesstech.co.za](http://businesstech.co.za) (23 July 2021)

## 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. Refer to the scenario below and answer the questions that follow:

##### SOSO CONSULTANCY (SC)

Soso Consultancy is unable to keep abreast with the latest innovations in new machinery. Some government policies affect the business operations of SC. High costs in obtaining a licence is preventing the establishment of a second branch. Fluctuations in foreign currency are restricting imports.

Use the table below as a GUIDE to answer QUESTION 1.1.1 and 1.1.2.

CHALLENGES 1.1.1		PESTLE FACTORS 1.1.2
1.		
2.		
3.		
4.		

### Consolidation

cont.

- |       |  |     |
|-------|--|-----|
| 1.1.1 | Quote FOUR challenges for SC from the scenario above.  | (4) |
| 1.1.2 | Classify SC's challenges according to a relevant PESTLE factor.  | (8) |
| 1.1.3 | Recommend ways in which SC can deal with challenges posed by ONE of the PESTLE factors identified in QUESTION 1.1.2. | (6) |

### QUESTION 2

Businesses apply the strategic management process when responding to challenges of the three business environments. Some businesses implement different types of diversification strategies. It is important that businesses are well conversant with the steps to follow in evaluating their strategy.

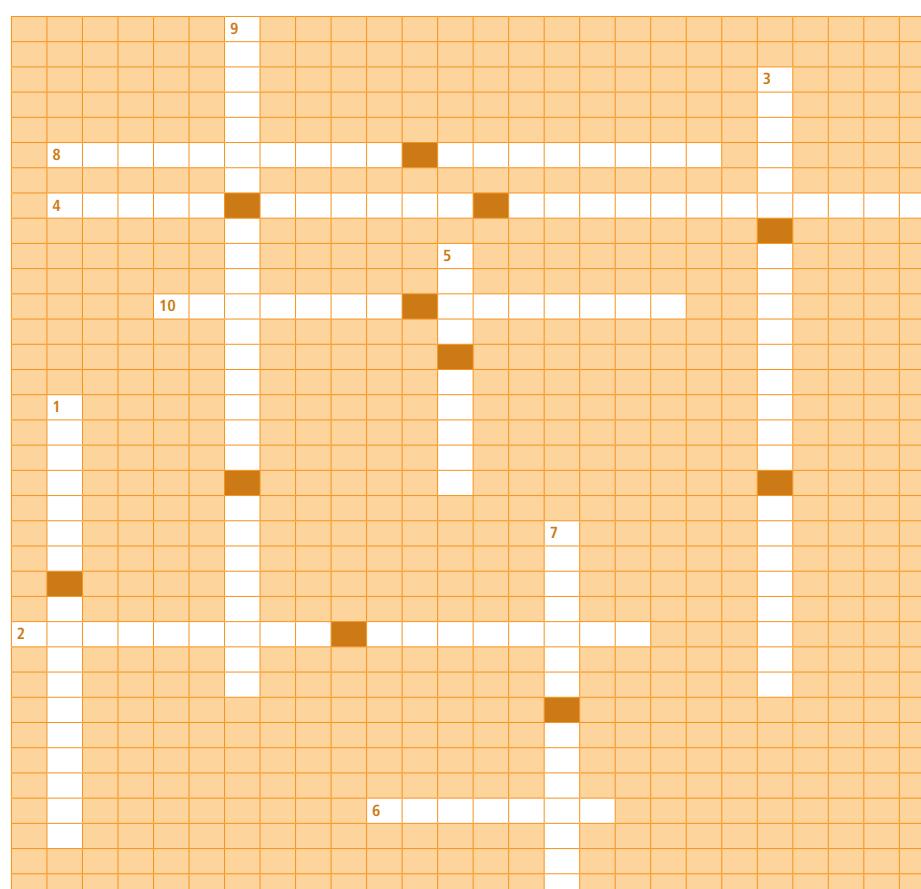
Write an essay on business strategies in which you include the following aspects:

- Outline the strategic management process.
- Explain THREE types of diversification strategies that may be implemented by businesses.
- Discuss the advantages of diversification strategies.
- Advise businesses on the steps they should follow to evaluate strategies.

[40]

### How to answer crossword puzzles

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



## Overview of topics per term

GRADE 12	
Term	Topic
1	<ul style="list-style-type: none"><li>• Topic 1: The impact of recent legislation on businesses</li><li>• Topic 2: The human resources function</li><li>• Topic 3: Ethics and professionalism</li><li>• Topic 4: Creative thinking and problem-solving</li><li>• Topic 5: Macro environment: Business strategies</li></ul>
2	<ul style="list-style-type: none"><li>• Topic 6: Business sectors and their environments</li><li>• Topic 7: Quality of performance</li><li>• Topic 8: Management and leadership</li><li>• Topic 9: Investment: Securities/Opportunities</li><li>• Topic 10: Investment: Insurance</li><li>• Topic 11: Team performance assessment and conflict management</li></ul>
3	<ul style="list-style-type: none"><li>• Topic 12: Human rights, inclusivity and environmental issues</li><li>• Topic 13: Social responsibility and corporate citizenship: CSR &amp; CSI</li><li>• Topic 14: Presentation and data response</li><li>• Topic 15: Forms of ownership: Criteria for success and/or failure</li></ul>
4	<ul style="list-style-type: none"><li>• Final examination preparation</li></ul>



## TERM 1

## 1

# The impact of recent legislation on businesses



## TOPIC OVERVIEW

- Unit 1.1 The Skills Development Act (SDA) (No. 97 of 1998)
- Unit 1.2 The Labour Relations Act (LRA) (No. 66 of 1995)
- Unit 1.3 The Employment Equity Act (EEA) (No. 55 of 1998)
- Unit 1.4 The Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)
- Unit 1.5 The Compensation for Occupational Injuries and Diseases Amendment Act (COIDA) (No. 61 of 1997)
- Unit 1.6 The Broad-Based Black Economic Empowerment Act (BBBEE) (No. 53 of 2003, as amended in 2013)
- Unit 1.7 The National Credit Act (NCA) (No. 34 of 2005)
- Unit 1.8 The Consumer Protection Act (CPA) (No. 68 of 2008)



## Learning objectives

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

- ❖ outline/describe/explain/discuss the purpose of the SDA, LRA, EEA, BCEA, COIDA, BBBEE, NCA and CPA
- ❖ discuss/explain/evaluate the impact (positives/advantages and/or negatives/disadvantages) of the SDA, LRA, EEA, BCEA, COIDA, BBBEE, NCA and CPA on businesses
- ❖ outline/explain/discuss actions regarded as non-compliance by the SDA, LRA, EEA, BCEA, COIDA, BBBEE, NCA and CPA
- ❖ outline/explain/discuss penalties/consequences for non-compliance with the SDA, LRA, EEA, BCEA, COIDA, BBBEE, NCA and CPA
- ❖ suggest/recommend ways in which businesses can comply with the SDA, LRA, EEA, BCEA, COIDA, BBBEE, NCA and CPA
- ❖ outline/explain/discuss the role/functions of SETAs
- ❖ explain how SETAs are funded
- ❖ define/elaborate on the meaning of learnerships
- ❖ explain the National Skills Development Strategy (NSDS) and the Human Resource Development Strategy (HRDS) (that is, Sector Education and Training Authorities)



### Learning objectives

- ❖ outline/explain/discuss the rights of employers and employees in terms of the LRA
- ❖ outline/explain/discuss the provisions of the BCEA
- ❖ distinguish/differentiate between Black Economic Empowerment (BEE) and the BBBEE Act
- ❖ explain/discuss the implications of the following revised FIVE pillars of BBBEE on businesses:
  - ❖ management control
  - ❖ ownership
  - ❖ enterprise and supplier development (ESD)
  - ❖ skills development
  - ❖ socio-economic development/social responsibility
- ❖ recommend/suggest ways in which businesses could apply the revised FIVE pillars of BBBEE in the workplace
- ❖ outline/explain/discuss the rights of consumers in terms of the NCA and CPA.



### Key concepts

- **Affirmative action:** the policy and process of providing preferences in employment opportunities for previously disadvantaged people.
- **Bargaining councils:** negotiations between trade union representatives and employer organisations on labour related issues such as demand for higher wages or improved working conditions.
- **BBBEE Scorecard:** BBBEE scorecards measure a business's compliance with BBBEE and a certificate is issued to the business that stipulates their BBBEE rating.
- **Collective agreement:** an agreement entered between a trade union and an employer organisation concerning the terms of employment for specific matters.
- **Collective bargaining:** process of engaging and solving labour disputes collectively between trade union representatives and employer organisations
- **Compensation Fund:** this fund provides compensation to employees who are injured or contract diseases through the course of their employment.
- **Credit providers:** businesses that sell goods and services on credit/offer credit purchasing options/provide credit facilities/credit products to customers.
- **Debt counsellors:** provide professional advice/counselling to private citizens/members of the public/businesses/organisations that are overindebted/offer methods of debt repayments.
- **Discrimination:** the intentional unjust/prejudicial/differential treatment of people/social groups based on the grounds of race/age/gender/sexual orientation/disability/religion.
- **Disputes:** an argument/disagreement between people/groups of people in the workplace.
- **Employment contract:** a legally binding agreement between the employer and the employee.
- **Equity:** fair and equal treatment in the workplace/society.



## Key concepts

- **Learnerships:** theoretical/practical training opportunities that leads to a recognised occupational qualification.
- **Levies:** imposition/collection of money by the government, usually in the form of tax.
- **Lockout:** occurs when the employer prevents (literally locks out) employees from entering the business premises during strike action and labour dispute resolution processes to prevent looting and damages to property.
- **National Credit Regulator (NCR):** the regulatory body that applies the NCA, educates consumers about their rights, and monitors/administers and ensures adherence of the NCA and the credit industry.
- **Ombudsman:** a state official responsible for investigating complaints of private citizens/members of the public that are made against businesses/organisations/government.
- **SETAs:** a vocational skills training organisation in South Africa that identifies/outlines/manages and creates learnerships, internships, and apprenticeships within its jurisdiction.
- **Strikes:** partial/complete concerted refusal to work by a group of employees for the purpose of remedying a grievance/dispute regarding any matter of mutual interest between the employer and employees.
- **Workplace injuries:** injuries that take place while conducting/performing workplace duties/responsibilities.

## Introduction

The different legislation that we will learn about were **promulgated**/established post-1994. The primary purpose of the different legislation is to address the multiple **injustices** and **discriminatory** laws of apartheid. These legislation will ensure actions of equality and fairness for all South Africans and has been developed in response to the demands for **redress** and **equity** in South Africa. Through the effective implementation of the various requirements stipulated in the legislation, the lives of previously disadvantaged people may significantly improve.



## New words

**promulgated** the process of passing legislation in parliament so that it becomes an official law in South Africa

**injustices** unfair actions that violate human rights

**discriminatory** the action of making prejudicial/racial (and other) distinctions between people

**redress** to address the injustices/violations of apartheid

**equity** fair and equal treatment in the workplace/society

 QR CODE

Introduction to the Skills Development Act



<https://www.youtube.com/watch?v=FJ8kIEdZnv4>

**Tip**

Mastering any FIVE facts per heading may significantly improve your chances of securing a pass and achieving a positive result for Business Studies.


 QR CODE

Skills Development Act



<https://www.youtube.com/watch?v=HvaXBNf2Dg4>

**Tip**

To master the content in Business Studies, treat every heading as a question.

**A New words**

**administratively burdensome** the implementation of the Act involves large amounts of paperwork and administration

## 1.1 The Skills Development Act (SDA) (No. 97 of 1998)

The SDA plays a significant role in ensuring that the South African workforce is skilled and contributes to the productivity and economic growth of the country. The SDA aims to enable more South Africans to gain access to skills training opportunities that have long-term benefits for the population and society.

### The purpose of the SDA

- Develops the skills of South Africans in order to improve productivity in the workplace.
- Encourages businesses to improve the skills of new and existing workers.
- Invests in the education and training of the South African workforce.
- Purposefully redresses imbalances of the past through education and training.
- Improves the job prospects of previously disadvantaged people.
- Provides the systematic implementation of strategies on a national, sector and workplace basis.

### The impact of the SDA on businesses

#### Positives/advantages

- Increases the number of skilled employees with scarce skills.
- Improves productivity in the workplace because employees are empowered through training programmes, thus becoming more knowledgeable.
- Increases global competitiveness of South African businesses, as more employees are trained with upgraded, relevant and scarce skills.
- Improves the return on investment (ROI) in education and training.
- Increases investment in education and training in the South African labour market.
- Improves the delivery of services of businesses because employees are working at an optimal level.

**Tip**

The impact refers to the positives and/or negatives of the legislation.



#### AND/OR

#### Negative/disadvantages

- The implementation of the SDA is time-consuming, expensive, prescriptive and **administratively burdensome**.
- The Skills Development Levy (SDL) places an additional burden on financially struggling businesses.
- The SDA initiative of the government may not always be supported by all businesses.
- Businesses find it difficult to monitor/control the implementation of this Act.
- Productivity in the workplace may decline, as employees have to attend learnerships during work hours.
- Only companies/businesses with a staff payroll over R500 000 per annum can claim the SDL.

## Actions regarded as non-compliance by the SDA

- Preventing qualified employees from gaining access to training opportunities and learnerships.
- Preventing employees access to learnerships based on any discriminatory grounds such as pregnancy, age, position, language, gender, sexual orientation, culture or religion.
- Promoting skills development unfairly, for example, where only certain employees benefit.
- Falsifying information in any documentation such as tax documentation submitted to SARS and workplace skills plans.
- Providing employment services for gain without being registered as an employer or registered with the relevant SETA.
- Providing incorrect and irrelevant information to employees about a learnership to deliberately mislead employees.

### Tip

Actions regarded as non-compliance refers to actions that are unjust, unfair, illegal and show prejudice towards employees in the context of violating the Act.

## Penalties/consequences for non-compliance with the SDA

- Businesses that do not comply with the SDA may receive a **compliance order** from the Labour Court. This order forces the business to comply with the SDA.
- Businesses who neglect to comply with the SDA may receive large fines and may be given a jail sentence (imprisonment), which will be dependent on the severity of the non-compliance.
- Businesses that do not pay the SDL may not offer learnerships to employees or claim grants from the SDA.
- A labour inspector may indefinitely stop the operations of the business if the business is found guilty of illegal practices.
- The business's operating licence may be **revoked**, which may prevent the business from continuing any form of operations.

### A New words

**compliance order** a document issued by a court of law to a business that forces the business to comply with a specific aspect of a legislation/ruling

**revoked** the business licence can be officially cancelled or repealed by the Labour Court

## Ways in which businesses can comply with the SDA

- Display a summary of the SDA in the business where it is visible to all employees.
- Provide opportunities to all employees to improve their skills.
- Assess the skills of employees to determine/ascertain the areas in which skills development is needed.
- Promote and encourage employees to improve their skills and to actively engage in learnerships.
- Employers who collect PAYE (Pay As You Earn tax) should register with SETA.
- Employers whose payroll exceeds R500 000 (half a million rand) per annum should pay 1% of it over to SETA.
- Employers should submit a workplace skills plan and provide evidence that it was implemented.

### Tip

Penalties/consequences for non-compliance refer to the legal charges businesses may face for not complying with the particular Act/legislation.

### Tip

Compliance refers to ways/methods in which businesses can comply/act in accordance with the SDA.

## The role/functions of SETAs (Sector and Education Training Authorities) in supporting/ implementing the SDA

A SETA is a vocational skills training organisation in South Africa that identifies/outlines/manages and creates learnerships, internships, and apprenticeships in the various business sectors.

### Tip

SETAs are not separate Acts, but support the implementation of the SDA. SETAs are the implementors of the SDA. The SDA cannot be implemented without the SETAs.



**Skills Development for Economic Growth**

The role/function of SETAs is to:

- register various learnerships and learning programmes.
- promote and establish various learnerships.
- approve the workplace skills plans and annual training reports submitted by businesses.
- develop skills plans that are in line with the aims of the National Skills Development Strategy (NSDS).
- develop/build skills development plans for the various economic sectors.
- promote learnerships and learning programmes by correctly identifying the best workplaces for practical work experience.

### Funding of SETAs

- Skills Development levies are paid by employers to SARS as a collecting agency for the government.
- Employers who have a salary bill that exceeds R500 000 per annum, should pay one percent (1%) of their annual salaries as a levy.
- The different SETAs receive 80% of the levy for organisational expenses and the remaining 20% is paid to the National Skills Fund.
- Donations/Grants received from the public/businesses/CSI programmes.
- Surplus funds from government institutions.
- Funds received from rendering their services.

### Learnerships

#### The meaning of learnerships

- Learnerships are theoretical/practical training opportunities that lead to a recognised occupational qualification.
- They provide structured learning programmes that are completed during work hours for a specified period.
- It includes a training course with learning material as well as practical work experience.
- Agreement between a learner/trainee, employer and a training provider.
- It may sometimes include employment for a specified period after the learnership is completed.

## Enrichment: Additional information on learnerships

A learnership is a structured learning programme that consists of theoretical and practical skills in the workplace. The completion of a learnership leads to the attainment of a nationally recognised qualification that is registered on the National Qualifications Framework (NQF).

- This nationally recognised qualification is directly related to an occupation, for example, a health care worker, motor mechanic, construction worker, IT technician or accountant.
- A learnership combines structured learning with practical work experience while being employed by an accredited public or private learnership provider (approved government department, company or small business).
- Learners have to attend classes at colleges/training centres to complete the classroom-based learning, and they have to complete on-the-job training in a workplace.
- A learnership is outcomes-based and not time-based and allows for the recognition of prior learning.
- The duration of a learnership varies, but the average is about 18 months.
- People entering a learnership must be at least 16 years old and younger than 35 years old.

The table below shows the NQF for learnership levels 1 – 4:

<b>Artisan (Trade tested or L4 certificate)</b>				
NQF Level		Education Band	Qualification	Provider
4	Artisan	Further Education	National Certificates	Accredited Public/Private Providers
3	Junior			
2	Assistant			
1	General Education	Grade 9 – ABET Level 4	N2	Public/private schools

## The National Skills Development Strategy (NSDS) and the Human Resource Development Strategy (HRDS)

The NSDS aims to develop skills, improve education, support and provide training to the South African workforce, improve economic growth and in the process, alleviate poverty and reduce unemployment. It was developed as a result of the promulgation of the SDA to introduce more skilled workers into scarce fields in South Africa. The National Skills Authority (NSA), the National Skills Fund (NSF), the various SETAs, and other government departments, have their specific responsibilities and functions regarding the NSDS.

The HRDS on the other hand, aims to address equity and to reduce poverty and inequality in South Africa by addressing skills deficits in the economy and implementing intervention plans to develop human resources to improve the South African economy. Like the NSDS, the HRDS was developed as a result of the promulgation of the SDA. The HRDS is aligned to present economic needs, increased global competition and globalisation.

### Take note

The information on the left is provided for enrichment purposes.

### QR CODE

Jaryd Raizon talks about learnerships, internships and employment opportunities



<https://www.youtube.com/watch?v=tpUGQQq0d08>

### Did you know

To attain an artisan equivalent qualification, which is an NQF Level 4 qualification, four separate learnerships will have to be completed – this means that qualifications at NQF levels 1, 2, 3 and 4 will have to be attained to be granted the artisan learnership qualification or L4 certificate.

## Explanation of the National Skills Development Strategy (NSDS)

- Increases access to programmes that train people.
- Addresses the low level/deficit/shortage of language and mathematical skills among the youth and adults.
- Promotes the public FET college system that has programmes to meet the skills needed by SETAs/local/regional/provincial/national organisations.
- Makes better use of/enhances/improves workplace-based skills development.
- Encourages/supports small business/community-training groups/NGOs/ worker-initiated training initiatives.
- Increases/improves the skills of the public sector to improve service delivery.
- Builds career/vocational guidance/training centres.
- Sets out/outlines the responsibilities of other education and training stakeholders.
- Improves social development through economic development.

## Explanation of the Human Resources Development Strategy (HRDS)

- Improves the supply of skills, which benefits the country directly.
- Promotes social development/social justice and helps to reduce poverty.
- Addresses skills shortages in the South African workplace.
- Achieves faster economic growth/higher employment levels and reduces the poverty level in South Africa.
- Develops both short-term and long-term workforce skills.
- Increases/encourages employee participation in lifelong learning.

### Tip

It is important to practice a variety of questions for the NSC examination. The questions provided in the activities in this textbook are examples of short questions, direct questions, indirect questions and essay questions.



### Activity 1.1

### Classwork/Homework

#### QUESTION 1

**1.1** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question number (1.1.1 - 1.1.5) in your notebook, for example, 1.1.6 J.

Column A	Column B
1.1.1 Skills Development Levy (SDL)	A 1% is paid to SETA if the annual turnover exceeds half a million rand
1.1.2 Learnership	B competitiveness of local firms improve because of more access to skills training
1.1.3 Skills Development Act (SDA)	C promotes the public FET college system that has programmes to meet the skills needed by SETAs
1.1.4 National Skills Development Strategy (NSDS)	D registration of trade unions is conducted by this body
1.1.5 Sector and Education Training Authorities (SETAs)	E theoretical and practical training opportunities that lead to a recognised occupational qualification

**••| Activity 1.1****Classwork/Homework****cont.**

<b>Column A</b>	<b>Column B</b>
	<b>F</b> businesses with the annual payroll exceeding half a million rand must pay 1% to SETA
	<b>G</b> labour relations are enhanced because of this Act
	<b>H</b> learners acquire a recognised degree on completion of this training
	<b>I</b> conducts registrations of learnerships and learning programmes
	<b>J</b> achieves goals outlined by the South African university system

(5 × 2) (10)

**QUESTION 2****2.1** Read the scenario below and answer the questions that follow.**GLORIA BALEKA ENGINEERING (GBE)**

Gloria Baleka Engineering is planning to use the services of Sector Education and Training Authorities (SETAs) in supporting the implementation of the Skills Development Act (SDA), 1998 (Act 97 of 1998). They have established that SETAs develop skills plans for the various economic sectors. SETAs also promote various learnerships. GBE should ensure compliance with the SDA.

- 2.1.1** Quote TWO roles of SETAs from the scenario above. (2)
- 2.1.2** Outline THREE other roles of SETAs in supporting the implementation of the SDA. (6)
- 2.1.3** Elaborate on the meaning of learnerships. (4)
- 2.1.4** Discuss the impact of the SDA on GBE as a business. (6)
- 2.1.5** Recommend ways in which GBE can comply with the SDA. (8)

**[26]**

**QR CODE**

Overview of the Labour Relations Act (LRA)



<https://www.youtube.com/watch?v=YTUhMIT7k3k>

**QR CODE**

Labour Relations Act



<https://www.youtube.com/watch?v=0QR2St30kk4>

**New words**

**collective bargaining** the process of engaging and solving labour disputes collectively between trade union representatives and employer organisations

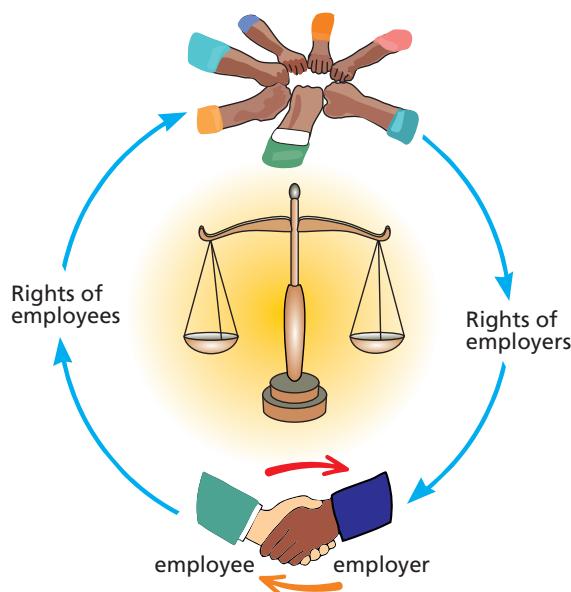
**CCMA** an independent dispute resolution body that promotes cooperation and industrial peace

**Labour Court** adjudicates on matters relating to labour disputes that cannot be resolved by the CCMA

**Labour Appeal Court** can reverse/amend any judgments/orders made by the Labour Court

## 1.2 The Labour Relations Act (LRA) (No. 66 of 1995)

The LRA is an enabling framework that regulates the relationship between employees and employers, and promotes sound relations between trade unions and employer organisations. The Act also promotes democracy in the workplace through the prevention of unfair labour practices. Through effective implementation of the LRA, fair labour practices in the workplace contribute to improved efficiency in business operations with minimal disruptions.



### The purpose of the LRA

- Provides an enabling framework and structure for labour relations between employees and employers, trade unions and employer organisations.
- Promotes **collective bargaining** at the workplace/sectoral level.
- Promotes simple procedures for the registration of trade unions and employer organisations.
- Promotes fair labour practices between employers and employees.
- Established the Commission for Conciliation, Mediation and Arbitration (**CCMA**), **Labour Court** and **Labour Appeal Court**.
- Advances social justice/labour peace/economic development, which ensures that the workplace maintains the basic rights of employees.

### The impact of the LRA on businesses

#### Positives/advantages

- Ensures the participation of all parties in the collective bargaining process, which reduces conflict in the workplace.
- Protects the rights of businesses and employer organisations in labour-related issues.
- Promotes quick and less expensive labour dispute resolutions.
- Protects employers who recourse lawful lockouts when negotiations between parties fail and when employees participate in strike action.

- Prevents unfair discrimination in the workplace because equal opportunities are promoted for all employees.
- Provides sound dispute resolution through consensus between organised labour, businesses and the state.

**AND/OR**

### Negatives/disadvantages

- The LRA may reduce the global competitiveness of businesses due to lower workplace productivity.
- Businesses may lose their competitive advantage because important information, which could be leaked to competitors, is often disclosed to trade union members during collective bargaining.
- Decreased profitability of businesses because of a decline in productivity and sales.
- Productivity may decrease significantly if employees engage in trade union-related activities during work hours.
- The implementation of the LRA may be very costly and time-consuming – especially the dispute resolution process.
- The employment of legal specialists and labour consultants increases the costs of the business.



### QR CODE

The impact of strikes in South Africa.



[https://www.youtube.com/watch?v=VIOJJjsb\\_j4](https://www.youtube.com/watch?v=VIOJJjsb_j4)

### Actions regarded as non-compliance by the LRA

- Dismissing employees unfairly or illegally.
- Preventing employees from forming and joining trade unions.
- Refusing to provide trade union representatives leave to attend to trade union matters.
- Preventing employees from participating in legal strikes.
- Dismissing employees who participate in legal strikes.
- Forcing employees to give up their trade union membership and representation.



### Tip

You need to master the impact/evaluation of all legislation/Acts as they are hot topics in the Business Studies curriculum.

### Penalties/consequences for non-compliance with the LRA

- Businesses that do not comply with the LRA may receive a compliance order from the Labour Court that forces the business to comply.
- Businesses who neglect to comply with the LRA may receive large fines if they fail to meet the agreements reached during the dispute resolution process.
- Businesses may be forced to enter into a dispute resolution process if they do not willingly participate.
- The business's licence may be revoked, which may prevent the business from continuing any form of operations.
- Businesses that fail to comply with the LRA may incur financial costs such as legal fees/CCMA fees.

### Ways in which businesses can comply with the LRA

- Display a summary of the LRA in the workplace where it is visible to all employees.
- Employees must be allowed to form trade unions and participate in trade union-related activities or legal strikes.
- The establishment of workplace forums must be supported by employers.
- Any agreements made during collective bargaining should not be ignored/breached by employers.

- Fairness should be promoted, and employees should not be unfairly/illegally dismissed.
- Employers should disclose all relevant information to the trade union representatives for the effective completion of required tasks.

### A New words

**lockout** occurs when an employer prevents (literally locks out) employees from entering the business premises during strike action and labour dispute resolution processes to prevent looting and damages to property

**bargaining councils** negotiations between trade union representatives and employer organisations on labour-related issues such as demand for higher wages or improved working conditions

**collective bargaining** the process of engaging and solving labour disputes collectively between trade union representatives and employer organisations

## Rights of employers and employees in terms of the LRA

### Rights of employers in terms of the LRA

Employers have the right to:

- recourse a **lockout** during periods when employees engage in unprotected/illegal/wildcat strikes/labour action.
- form employer organisations.
- dismiss employees who engage in unprotected strikes/misconduct such as violence or intimidation during strike action.
- form **bargaining councils** for the purpose of **collective bargaining**.
- not remunerate employees who participate in protected strikes and for work that was not completed during protected strikes.

### Rights of employees in terms of the LRA

Employees have the right to:

- join a trade union of their choice.
- establish a workplace forum where a business has 100 or more employees to resolve work-related issues.
- request trade union representatives to represent and assist employees during the grievance procedures/disciplinary hearings.
- embark upon legal strikes as a remedy for grievances.
- trade union representatives may take reasonable time off work with pay, to attend to trade union duties.
- refer unresolved workplace disputes to the Commission for Conciliation, Mediation and Arbitration (CCMA).
- refer unresolved CCMA disputes to the Labour Court for an appeal.



### QR CODE

The purpose of the article is for you to reflect on the implication of the LRA on the contemporary business world.



<https://www.iol.co.za/capearthus/news/opinion/our-labour-laws-have-not-changed-because-of-the-pandemic-8fc160f9-3a3d-4a28-9619-e759e2bc23c0>

### Activity 1.2

### Classwork/Homework

#### 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 (1.1.1–1.1.5) in your notebook.

Labour Relations Act ; go-slows ; collective bargaining ; Labour Court  
trade union ; Skills Development Act ; workplace forum ; lockout  
Commission for Conciliation, Mediation and Arbitration ; dismissal

- 1.1.1 The workers of Getsmart Traders approached the ... for unresolved disputes.
- 1.1.2 A ... can be formed when a business has 100 or more employees to resolve work-related issues.
- 1.1.3 Katlego Insurers applied a ... in the fear that employees will loot and damage the businesses during strike action.
- 1.1.4 The ... provides an enabling framework for labour relations in South Africa.
- 1.1.5 Bedford Manufacturers embarked upon ... processes with trade union representatives to solve labour disputes.

(5 × 2) (10)

**Activity 1.2****Classwork/Homework**

cont.

**QUESTION 2: BUSINESS ENVIRONMENTS (LABOUR RELATIONS ACT)**

Goldman Miners (GM) has outsourced a legal specialist to conduct training on the requirements of Labour Relations Act (LRA), (No. 66 of 1995). The training session focused on the rights of employees and employers, as well as the impact of the LRA on businesses. In addition, actions regarded as non-compliance and penalties for non-compliance were discussed.

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

- Outline the rights of the employers and employees in terms of the LRA.
- Explain the impact of the LRA on businesses.
- Discuss the actions that are regarded as non-compliance by the LRA.
- Advise businesses on the penalties they may face for not complying with the LRA.

[40]

**Tip**

The question on the left is an example of an essay question. A variety of essay-type questions must be practiced and mastered in preparation for the NSC examination. Refer to page 107 and 211 for tips on writing essays.

**Tip**

When explaining the rights of employers and employees in terms of the LRA, they must be done separately, with two separate subheadings.



## 1.3 The Employment Equity Act (EEA) (No. 55 of 1998)

The EEA creates an enabling framework of acceptable employment practices and was primarily promulgated/established to promote affirmative action. It allows for improved and greater transformation processes in the workplace. Through the EEA, people are treated equally, regardless of race, culture, age, language, gender, sexual orientation, disability and religion. The EEA also compels businesses to compile employment equity plans.



### The purpose of the EEA

- Ensures equal representation of all population groups of South Africa in the workplace through the effective promotion and implementation of **affirmative action**.
- Advocates that employees who do work of the same or equal value must be paid equally.
- Promotes equal opportunity and fair treatment for all workers in the workplace.
- Prevents discrimination on the grounds of gender/race/disability in the workplace.
- Protects employees from victimisation in the context of exercising their rights as outlined in the EEA.
- Provides the possibility for workers to refer unresolved issues to the CCMA.

**Tip**

When discussing the EEA in the examination, you must emphasise that the EEA promotes affirmative action.

### A New words

**affirmative action** the policy and process of providing preferences in employment opportunities for previously disadvantaged people. Affirmative action is, therefore, a policy embedded in the EEA

## The impact of the EEA on businesses

### Positives/advantages

- Promotes the implementation of affirmative action measures to redress the various imbalances in employment.
- Systematically prevents unfair discrimination as it ensures that the workforce is representative of the demographics of the country.
- Promotes equal opportunities and fair treatment for all workers in the workplace.
- Encourages diversity in the business by employing people from various racial backgrounds.
- Encourages consultation between employers and employees.
- Provides all employees with an equal opportunity during selections, appointments and promotions in the workplace.

**AND/OR**

### Negatives/disadvantages

- The implementation of the EEA is time-consuming, expensive, prescriptive and administratively burdensome because employment equity reports must be submitted to the Department of Labour every two years.
- The training costs of the business increases because employees need to be correctly trained regarding the implementation of the EEA.
- Employment Equity appointments may cause conflict in the workplace as some employees may not respect the knowledge, skills, qualifications and experiences of the EE appointment.
- Businesses sometimes appoint unsuitable and unqualified candidates into an EE position to meet the requirements of their **employment equity plan**.
- Businesses find it difficult to make appointments because of the unsuitability of candidates, which results in the position not being filled.
- Businesses must submit employment equity plans and compliance certificates before business can be conducted with the state.

### A New words

**employment equity plan**  
a document that outlines how the business intends to achieve employment equity over five years



### QR CODE

Employment Equity Act (EEA)



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

## Actions regarded as non-compliance by the EEA

- Denying people access to the workplace, based on the grounds of any form of discrimination such as gender, race, culture, religion, language and gender.
- Treating workers unfairly and incorrectly promoting affirmative action in the workplace.
- Refusing to employ young women because they would choose to have children in the future.
- Conducting HIV testing unless the testing is justified by the Labour Court.
- Refusing to employ a person because of strong religious or cultural beliefs, or because of a disability.
- Harassing and victimisation of an employee in any form are regarded as discriminatory according to the EEA.

### Did you know

Consider the following:

**Would it be considered non-compliance by businesses if employees do not want to receive Covid-19 vaccinations?**

Currently in South Africa, there is no legislation which mandates compulsory immunisation of the South African population against Covid-19. Should the government decide to promulgate/establish legislation for compulsory immunisation, it should be done in conjunction with employment legislation such as the LRA, EEA, BCEA and OHSA. It is therefore, not considered non-compliance by businesses if employees do not want to receive Covid-19 vaccinations. However, employers may introduce mandatory vaccine policies in the workplace and rejection of mandatory vaccinations by employees may constitute grounds for dismissal.

### QR CODE

For more information about the extract on the left, see the full article at:



<https://www.hhrjournal.org/2021/04/constitutionalrights-insouth-africa-protectagainst-mandatory-covid-19-vaccination/>

## Penalties/consequences for non-compliance with the EEA

- Businesses that do not comply with the EEA may receive a compliance order from the Labour Court that forces the business to comply with the EEA.
- Businesses that do still not comply after the compliance order has been issued may then be charged/prosecuted by the Labour Court for non-compliance.
- Businesses who neglect to comply with the EEA may receive large fines, which will be dependent on the degree of non-compliance, especially in the context of fronting.
- The Department of Labour may prevent non-compliant businesses from conducting business with the government, especially in the context of government tenders.
- Labour inspectors can visit the business and conduct interviews with employees to determine whether the information supplied on the employment equity plans is true or has been falsified.

## Ways in which businesses can comply with the EEA

- Display a summary of the EEA in the workplace where it is visible to all employees.
- Provide equal opportunities to all employees in the workplace.
- Businesses should ensure that employees are paid equally for work of equal value.
- Implement affirmative action measures to promote diversity in the workplace.
- Compile employment equity plans that specify how affirmative action will be implemented in the workplace.
- The workplace must be representative of the demographics of the country at all levels.
- Current employment policies/practices/procedures must be restructured and evaluated to accommodate the various designated groups.

### Tip

It is important to link current events in the media into the originality of your essay responses where applicable.

### QR CODE

Employment Equity Act (EEA)



<https://www.youtube.com/watch?v=0Pqq0mPJe-l>



## QR CODE

The purpose of the article is for you to reflect on the implication of the EEA on the contemporary business world.



<https://businessstech.co.za/news/business/469624/these-planned-changes-aim-to-speed-up-transformation-in-south-africa/>

## • | Activity 1.3

## Classwork/Homework

## 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 numbers (1.1.1 to 1.1.5) in your notebook for example, 1.1.6 D.

1.1.1 De Lange Bookkeeping implements the... to promote affirmative action in the workplace.

- A Skills Development Act (SDA), 1998 (No. 97 of 1998)
- B Labour Relations Act (LRA), 1995 (No. 66 of 1995)
- C Employment Equity Act (EEA), 1998 (No. 55 of 1998)
- D Basic Conditions of Employment Act (BCEA), 1997 (No. 75 of 1997)

1.1.2 An employment equity plan is a document that outlines how the business intends to achieve employment equity over a...period.

- A two-year
- B three-year
- C four-year
- D five-year

1.1.3 One way in which Rethabile Retailers ensures compliance with the Employment Equity Act (EEA), 1998 (No. 55 of 1998) is to...

- A pay employees equally for work of equal value.
- B treat workers unfairly based on the grounds of discrimination.
- C remunerate workers differently for work of the same worth.
- D refuse to employ a person because of strong cultural beliefs.

1.1.4 A major advantage of the Employment Equity Act (EEA), 1998 (No. 55 of 1998) is that...

- A its implementation is time-consuming and prescriptive.
- B it promotes diversity in the business.
- C difficulties are experienced by the business in making appointments.
- D it promotes the establishment of workplace forums.

1.1.5 The management of Myburgh Manufacturers was issued with a...for not obeying the EEA in the workplace.

- A compliance order
- B business licence
- C SARS Tax compliance certificate
- D financing grant

(5 × 2 ) (10)

## QUESTION 2

2.1 Outline the purpose of the Employment Equity Act (EEA), 1998 (Act 55 of 1998). (6)

2.2 Discuss the impact of the EEA on businesses. (8)

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

## CONQUEST WHOLESALERS (CW)

A compliance inspection with regards to the Employment Equity Act (EEA), 1998 (Act 55 of 1998) was conducted at Conquest Wholesalers. The findings discovered that the workforce is not representative of the demographics of South Africa. CW does not implement affirmative action measures. A summary of the EEA is not displayed at the business.

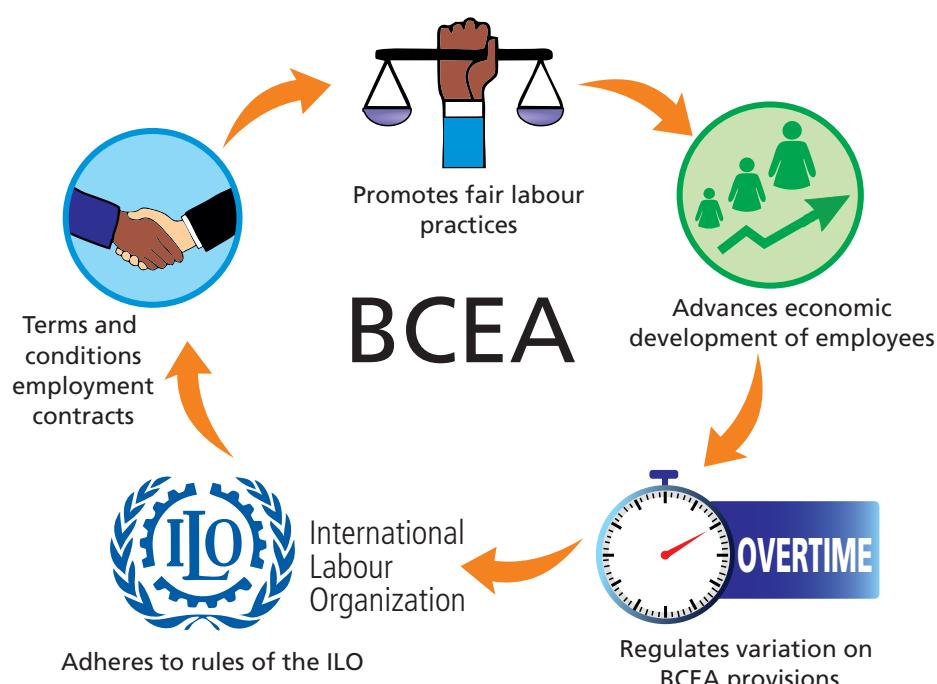
**••| Activity 1.3****Classwork/Homework****cont.**

- 2.3.1** Quote TWO actions that are regarded as non-compliance with the EEA from the scenario above. (2)
- 2.3.2** Explain THREE other actions that can be regarded as non-compliance with the EEA by businesses. (6)
- 2.3.3** Suggest the penalties that CW may face for non-compliance in terms of the EEA. (6)

[28]

## 1.4 The Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)

The BCEA sets out the minimum conditions that ensure fair labour practices and human resources practices in the workplace. The BCEA applies to all employers and employees, except for members of the National Defence Force, South African Secret Services, National Intelligence Agency, and unpaid volunteers working for charities. The BCEA is applicable to all casual, temporary and permanent employees, as well as independent contractors. Businesses must keep abreast of amendments made regarding the variations/changes on the BCEA provisions by the Minister of Labour.


**QR CODE**

The Basic Conditions of Employment Act



[https://www.youtube.com/watch?v=Q\\_OkYd0fnMw](https://www.youtube.com/watch?v=Q_OkYd0fnMw)



BCEA



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

## The purpose of the BCEA

- Outlines clear terms and conditions of employment for employers and employees.
- Regulates and promotes the right to fair labour practices as outlined in the Constitution of South Africa.
- Provides minimum requirements/standards for the creation of employment contracts.
- Advances the economic development and social justice of employees.
- Adheres to the rules and regulations set out by the International Labour Organisation (ILO).
- Regulates the variations of the basic conditions of employment.

## The provisions of the BCEA

### Provisions of the BCEA

	Provision	Discussion
	Hours of work/ work hours	<ul style="list-style-type: none"> <li>• Employees are not allowed to work for more than 45 hours per week.</li> <li>• Employees may work 9 hours a day if they work five days or less per week.</li> <li>• Employees may work 8 hours a day if they work more than five days a week.</li> <li>• Night work performed by employees after 18:00 and before 6:00 the following day should be done by mutual agreement, and employees must be compensated by allowance/reduction of work hours.</li> </ul>
	Overtime	<ul style="list-style-type: none"> <li>• Employees cannot be forced to work overtime but must agree to work overtime.</li> <li>• Employees cannot work more than 3 hours overtime per day, or 10 hours per week.</li> <li>• <b>Overtime must be compensated as follows:</b> <ul style="list-style-type: none"> <li>► 1½ times/One and a half times the normal rate of pay for overtime worked on weekdays and Saturdays.</li> <li>► 2 times/Twice/Double the normal rate of pay for overtime worked on Sundays and public holidays.</li> </ul> </li> </ul>
	Meal breaks and rest periods	<ul style="list-style-type: none"> <li>• Employees must have a meal break of 60 minutes after 5 continuous hours of work.</li> <li>• The meal break can be reduced to 30 minutes/half an hour by a mutual written agreement when employees work less than 6 hours per day.</li> <li>• Employees must have a daily rest period of 12 continuous hours/a weekly rest period of 36 continuous hours, which must include Sundays.</li> </ul>
	Termination of employment	<ul style="list-style-type: none"> <li>• An employment contract may only be terminated following 1 weeks' notice if the employee has been employed for 6 months or less.</li> <li>• A minimum of 4 weeks' notice must be given to the business if the employee has been employed for a year or longer.</li> <li>• The employee must be given formal notice in writing if the employer has terminated the contract, similarly, the employee must give the employer formal notice in writing for terminating the contract.</li> </ul>
	Child and forced labour	<ul style="list-style-type: none"> <li>• It is illegal to employ a child younger than 15 in South Africa.</li> <li>• It is also illegal to force an employee to work.</li> <li>• Businesses may employ children over the age of 15 if employment is not harmful to their well-being/health/education/moral and social development.</li> <li>• Minors under the age of 18 may not engage in dangerous work/work meant for an adult.</li> </ul>
	Public holidays	<ul style="list-style-type: none"> <li>• Employees must be paid for any public holiday that falls on a working day.</li> <li>• Employees may work on public holidays when there is a mutual agreement, and they are paid 2 times/twice/double their normal rate.</li> </ul>

## Provisions of the BCEA (Continued)

Provision	Discussion
 <b>Leave</b>	<p><b>Annual leave</b></p> <p><b>Employees are entitled to:</b></p> <ul style="list-style-type: none"> <li>• 21 consecutive days annual leave per year or 1 day for every 17 days worked/1 hour for every 17 hours worked.</li> <li>• An employer can only pay a worker in lieu/instead of granting leave if that worker leaves the job/terminates the employment contract.</li> <li>• Annual leave must be granted within 6 months after the leave cycle ended.</li> </ul> <p><b>Sick leave</b></p> <p><b>Employees are entitled to:</b></p> <ul style="list-style-type: none"> <li>• 30 days/6 weeks paid sick leave in a 3 year/36 months cycle.</li> <li>• 1 day paid sick leave for 26 days worked during the first 6 months of employment.</li> <li>• A medical certificate may be required before paying an employee who is absent for more than 2 consecutive days/who is frequently absent. Thereafter, they may take all 30 days of sick leave, provided they meet the legal requirements.</li> </ul> <p><b>Maternity leave</b></p> <ul style="list-style-type: none"> <li>• Pregnant employees are entitled to four consecutive months of maternity leave.</li> <li>• Pregnant employees are prevented from performing work that may be hazardous to themselves and the unborn child.</li> <li>• Maternity leave usually commences any time from four weeks before the expected date of birth of the unborn child under the advice of a doctor/midwife.</li> </ul> <p><b>Parental leave</b></p> <ul style="list-style-type: none"> <li>• An employee irrespective of gender, who is a parent, is entitled to 10 consecutive days parental leave after the birth of his/her child.</li> <li>• Parental leave is unpaid but the employee/parent may claim from the Unemployment Insurance Fund/UIF.</li> <li>• The employer must be informed/notified at least one month before the expected due date of birth.</li> <li>• Adoption leave applies to the adoption of a child below the age of 2 years.</li> <li>• One parent of the adopted child is entitled to 10 weeks of adoption leave to take care of the child, while the other parent is entitled to 10 consecutive days normal parental leave.</li> <li>• Commissioning parental leave is only applicable to surrogate motherhood where one parent is entitled to 10 weeks commissioning parental leave to take care of the child, while the other parent is entitled to 10 consecutive days normal parental leave.</li> </ul> <p><b>Family responsibility leave</b></p> <ul style="list-style-type: none"> <li>• An employee may receive 3 to 5 days paid leave per year on request, in the event of the death of the employee's spouse/life partner/parent/adoptive parent/grandparent/child/adoptive child/grandchild/sibling.</li> <li>• An employer may require reasonable proof – before approving this type of leave – such as a death certificate of the family member whose funeral will be attended.</li> </ul>

## The impact of the BCEA on businesses

### Positives/advantages

- Creates/establishes an enabling framework of acceptable employment practices, for example, work hours, leave, legalities of employment contracts.
- Outlines the rules and regulations, and provides clear and specific guidelines for employers to deal with employment issues.
- Encourages consultation between employers and employees in the workplace.
- Outlines the minimum/basic requirements for employment contracts.
- Specifies work hours to prevent exploitation of employees.
- Workers are permitted/allowed to consult labour unions/trade unions in cases where the BCEA conditions are violated.

**AND/OR**



### QR CODE

The purpose of the article is for learners to reflect on the implication of the BCEA on the contemporary business world.



<https://www.iol.co.za/capearthus/news/opinion/our-labour-laws-have-not-changed-because-of-the-pandemic-8fc160f9-3a3d-4a28-9619-e759e2bc23c0>

### Negatives/disadvantages

- The implementation of the BCEA is time-consuming, expensive, prescriptive and administratively burdensome, especially the drafting of formal/legal contracts.
- The training costs of businesses may increase because employees have to be trained with regard to the implication of the BCEA, and businesses often have to employ legal specialists.
- Businesses often regard employment contracts as a negative aspect and sometimes do not implement the requirements, which results in non-compliance.
- Employers and managers may not force employees to work more than 45 hours per week, which may result in a reduction in productivity.
- Employers cannot hire cheap labour, and therefore cannot exploit employees.
- Businesses are forced to comply with the various legal requirements of the BCEA, which directly increases the labour costs of businesses.

### Actions regarded as non-compliance by the BCEA

- Unilaterally changing information in the employment contracts by employers without consulting employees.
- Forbidding employees to discuss remuneration/wages and salaries matters with other workers.
- Preventing employees from gaining access to employment contracts.
- Preventing pregnant employees from legally taking maternity leave.
- Refusing acceptance of a valid medical certificate of a sick employee.
- Refusing to grant an employee family responsibility leave for any aspect of family responsibility leave as outlined in the BCEA, such as supporting a sick family member or attending the funeral of a close family member.

### Penalties/consequences for non-compliance with the BCEA

- Businesses that do not comply with the BCEA may receive a compliance order from the Labour Court, that forces the business to comply with the BCEA.
- The Director-General of the Labour Court may agree, amend or cancel the compliance order.
- Businesses may be taken to the Labour Court for a ruling.
- Labour inspectors may conduct investigations and inquiries about complaints in the context of the BCEA and remove records as evidence.

- Businesses who neglect to comply with the BCEA may receive large fines and may even be given a jail sentence, which will be dependent on the severity of the non-compliance.

## Ways in which businesses can comply with the BCEA

- Remunerate/pay employees for working overtime, as stipulated in the provisions of the BCEA.
- Ensure that employees do not exceed the stipulated working hours of 45 hours per week.
- Provide maternity leave for pregnant employees.
- Ensure that the employment contracts do not contravene any aspect of the requirements of the BCEA.
- Allow sick employees to take off the required amount of sick leave i.e, six weeks in a 3 year cycle.
- Refrain from employing children under the age of 16, as this is illegal.

### • 8 | Activity 1.4

### Classwork/Homework

#### QUESTION 1

**1.1** Identify the provision of the Basic Conditions of Employment Act (BCEA), 1997 (No. 75 of 1997) applicable to Dalwai Investors (DI) in each statement below.

- 1.1.1** Megan, an employee, was paid one and a half times her normal rate for additional hours worked on weekdays.
- 1.1.2** DI does not employ children under the age of 15 because it is against the law.
- 1.1.3** The training manager, Mbali, provided four weeks' notice before taking a post at a rival firm.
- 1.1.4** A sixty-minute interval is provided to all employees of DI after five continuous hours of work.
- 1.1.5** Rynard was granted 10 days consecutive unpaid leave after the birth of his daughter.

(5 × 2) (10)

#### QUESTION 2: BUSINESS ENVIRONMENTS (BASIC CONDITIONS OF EMPLOYMENT ACT)

Businesses must have sound knowledge of the purpose and provisions of the Basic Conditions of Employment Act (BCEA), 1997 (Act 75 of 1997). The implementation of the BCEA may have a direct impact on business operations. A concerted effort is therefore required by businesses to comply with the BCEA.

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

- Outline the purpose of the Basic Conditions of Employment Act.
- Explain the following provisions of the BCEA:
  - » Hours of work
  - » Termination of employment
  - » Child and forced labour
- Discuss the impact of the BCEA on businesses.
- Recommend ways in which businesses can comply with the BCEA.

[40]

**QR CODE**

COIDA



<https://www.youtube.com/watch?v=zRDX-nV7Yss>

## 1.5 The Compensation for Occupational Injuries and Diseases Amendment Act (COIDA) (No. 61 of 1997)

COIDA was promulgated/established to promote and protect the health and safety of employees in the workplace. COIDA provides guidelines for the compensation of employees who sustain on-the-job injuries and contract diseases. It also provides guidelines when employees die as a result of work-related injuries. The various injuries and diseases for which claims can be made are specified in COIDA. Significant progress has been made in the implementation of COIDA, as more businesses are now more socially responsible for workers and their dependents.

Occupational injuries

Compensation



### The purpose of the COIDA

- COIDA applies to all casual and full-time employees who become injured/disabled/killed due to a workplace accident/disease.
- COIDA excludes employees who are guilty of wilful misconduct such as horseplay in the workplace/employees working outside South Africa for at least twelve months/members of the South African Defence Force/members of the Police Services.
- The promulgation of COIDA has resulted in the establishment of a **Compensation Board**, whose function is to act in an advisory capacity to the Minister of Labour on the application/provisions of COIDA.
- The type and severity of the injury will dictate the medical expenses and other compensation that will be paid to employees.
- Employers make monthly contributions towards the Compensation Fund, which is based on the number of employees in the workplace/the level of risk to which employees are exposed.

### A New words

**Compensation Board**  
a statutory body of the Compensation Fund which advises the Minister of Labour on issues such as policy matters, annual benefit increases, appointing assessors and amendments to COIDA

## The impact of the COIDA on businesses

### Positives/advantages

- Promotes health and safety in the workplace.
- Creates an enabling framework for acceptable employment practices/safety regulations.
- Covers all employees in the workplace, if both parties (employers and employees) meet all the necessary safety provisions as outlined by COIDA.
- Supplies administrative guidelines/mechanisms for dealing with and processing claims.
- Provides employees with financial/monetary compensation for any injury/disability/illness that results from performing workplace duties.
- Protects employees from financial burden should an accident occur in the workplace, provided that the employer is not guilty of negligence and has made contributions to the Compensation Fund.
- COIDA does provide compensation for domestic workers.

AND/OR

### Negatives/disadvantages

- The implementation of COIDA is time-consuming, expensive, prescriptive and administratively burdensome – especially the lengthy claiming processes/procedures.
- Employers have to register all their employees to make annual contributions to COIDA, which may result in cash flow problems for businesses.
- Implementation processes/procedures required by the Act may be expensive and place an additional financial burden on struggling businesses.
- Employers may be forced to pay heavy penalties if they are found guilty of negligence, or for not enforcing safety measures.
- South Africans who are temporarily/permanently employed in foreign countries are not covered by COIDA.
- COIDA does not cover employees in the South African National Defence Force.



### QR CODE

The new updates to COIDA provide for compensation for domestic workers. Scan the QR code below for more information.



<https://businesstech.co.za/news/business/474916/government-gazettes-updated-rules-for-domestic-workers-in-south-africa/>

## Actions regarded as non-compliance by COIDA

- Bribing employees not to report the accident/injury based on the grounds of race/religion/culture/language/gender/sexual orientation.
- Falsifying information about previous, serious accidents/occupational diseases on the grounds of race/religion/culture/language/gender/sexual orientation.
- Failing to disclose all information to the Compensation Board when accidents or injuries occur for specific employees.
- Deliberately contributing the incorrect amounts to the Compensation Fund, which prevents employees from receiving compensation.
- Discriminating against injured employees when claims have to be submitted/employers who refuse to submit claims of injured employees to the Compensation Board.
- Refusing to lodge the claims of domestic workers.

## Penalties/consequences for non-compliance with COIDA

- Businesses that do not comply with COIDA may receive a compliance order from the Labour Court, which forces the business to comply with COIDA.
- Businesses who neglect to comply with COIDA may receive large fines for refusing to lodge claims and may even be given a jail sentence/imprisonment, which will be dependent on the severity of the non-compliance.
- Businesses can be forced to make large payments if they did not implement the necessary precautions to reduce accidents/fatalities, nor promote health and safety in the workplace.
- Businesses may be forced to pay recovery costs required by the compensation fund.
- Employees may take a business to court for not registering with the Commissioner of the Compensation Fund.



### QR CODE

The purpose of the article is for you to reflect on the implication of COIDA on the contemporary business world.



<https://citizen.co.za/business/business-news/2442429/compensation-fund-amendments-weak-governance-no-help-for-vulnerable-workers/>

## Ways in which businesses can comply with COIDA

- Display a summary of COIDA in the workplace where it is visible to all employees.
- Organise training on COIDA with all relevant stakeholders so that employees know their rights in the context of COIDA, but also to protect and promote health and safety in the workplace.
- Provide and enhance the capacity to promote health and a safe working environment.
- Register with Compensation Board and Compensation Commissioner.
- Pay the required levies to the Compensation Fund.
- Report all accidents, injuries, illnesses and fatalities to the Compensation Commissioner as they occur.

### Activity 1.5

### Classwork/Homework

#### QUESTION 1

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

#### CARMEN BUILDING CONTRACTORS (CBC)

Faraaz Essop an employee at Carmen Building Contractors, lost his life due to injuries sustained at the workplace. CBC did not submit the necessary claim as required by law. CBC will face penalties for non-compliance.

1.1.1 Identify the Act violated by CBC in the scenario above. (2)

1.1.2 Discuss penalties for non-compliance with the Act identified in QUESTION 1.1.1 above. (8)

1.2 Evaluate the impact of COIDA on businesses. (10)  
[20]

# 1.6 The Broad-Based Black Economic Empowerment Act (BBBEE) (No. 53 of 2003, as amended in 2013)

BBBEE was promulgated/established to bring the majority of South Africans into the mainstream of the economy, to significantly accelerate economic growth, provide opportunities for previously disadvantaged people, and to spread wealth more broadly across all population groups. The implementation of BBBEE has increased the number of **black** people that manage/own/control the South African economy. A BBBEE scorecard is used to determine the BBBEE statuses of businesses. BBBEE aims to integrate all citizens of South Africa meaningfully into the economy.



## QR CODE

Overview of BBBEE.



<https://www.youtube.com/watch?v=t2b7XVlqDZQ>

## A New words

**black** in the context of BBBEE is a generic term for all Africans, coloureds and Indians who are citizens of South Africa by birth or descent, or who became naturalised citizens of South Africa before April 1994

## QR CODE

Introduction to the BBBEE Codes of Good Practice.



<https://www.youtube.com/watch?v=EwDKU5OJ2V4>

## The purpose of BBBEE

- Enables wealth to be spread more broadly across all population groups.
- Aims at targeting inequality in the South African economy.
- Outlines areas that would give the government a platform for bringing the equitable spread of wealth amongst all population groups.
- Allows for the development of Codes of Good Practice.
- Increases the number of black people that manage/control South African businesses.

## Differences between BEE and BBBEE

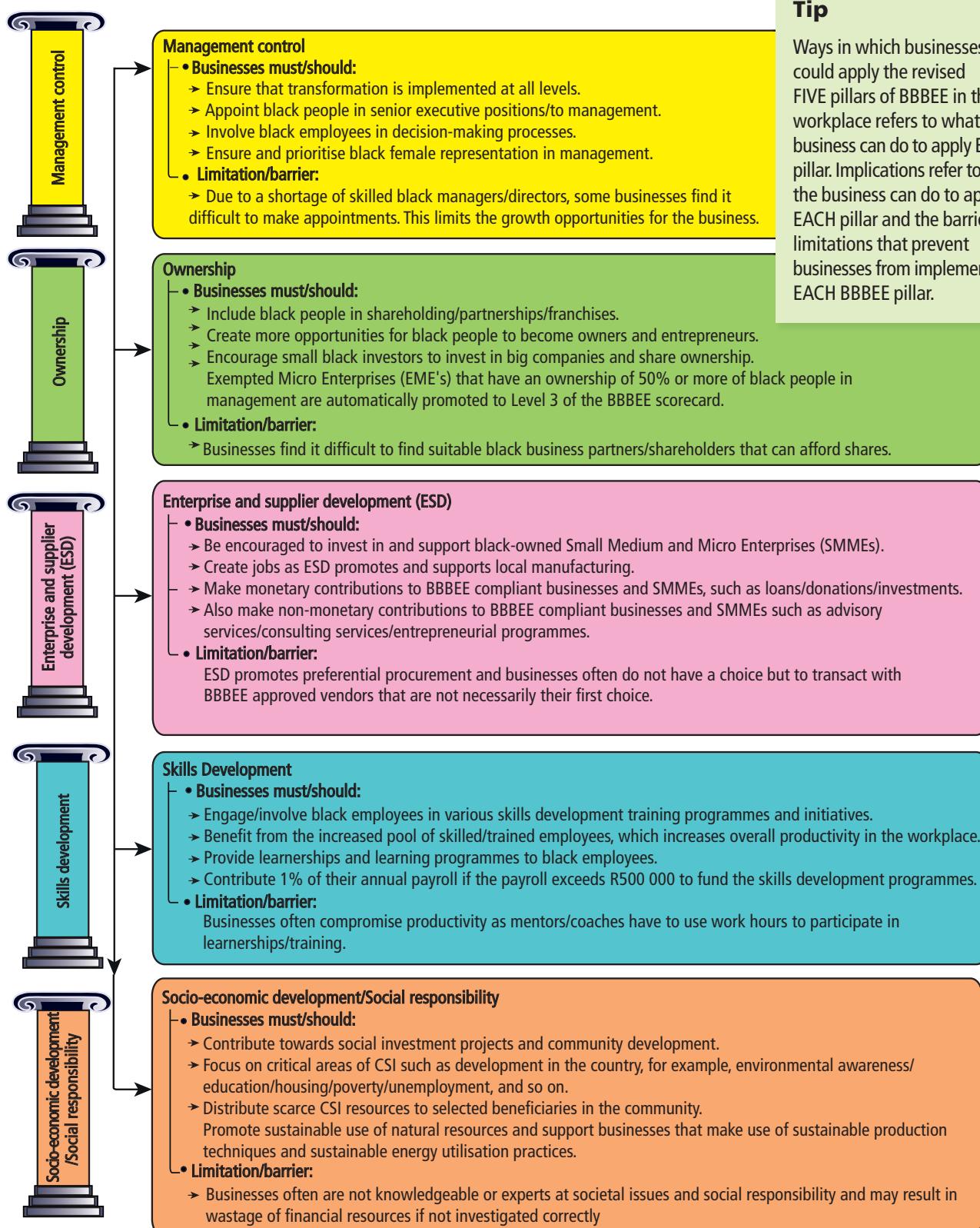
Black Economic Empowerment (BEE)	Broad-Based Black Economic Empowerment Act (BBBEE)
<ul style="list-style-type: none"> <li>A government policy that may not always be enforced.</li> </ul>	<ul style="list-style-type: none"> <li>An Act that is enforced/must be complied with by businesses.</li> </ul>
<ul style="list-style-type: none"> <li>Benefitted only a few previously disadvantaged people in the economy.</li> </ul>	<ul style="list-style-type: none"> <li>Encourages a wider group of previously disadvantaged people – which includes black women, people who are physically challenged, youth, and people in rural areas – to participate in the economy.</li> </ul>
<ul style="list-style-type: none"> <li>This resulted in a few previously disadvantaged individuals sharing in the wealth of the economy.</li> </ul>	<ul style="list-style-type: none"> <li>Aims to distribute the country's wealth across a broader spectrum of society.</li> </ul>
<ul style="list-style-type: none"> <li>Focused only on three pillars that did not include all previously disadvantaged people.</li> </ul>	<ul style="list-style-type: none"> <li>Focuses on five pillars – which include all sectors of the society – especially the previously disadvantaged people and previously disadvantaged communities.</li> </ul>

## Tip

Please note that BEE is a policy, whereas BBBEE is an Act.



# Application and implications of the revised BBBEE pillars

**Tip**

Ways in which businesses could apply the revised FIVE pillars of BBBEE in the workplace refers to what the business can do to apply EACH pillar. Implications refer to what the business can do to apply EACH pillar and the barriers/limitations that prevent businesses from implementing EACH BBBEE pillar.

**Tip**

A thorough conceptual understanding of the BBBEE pillars is required to understand the impact of BBBEE on businesses. The focus should be on how businesses should comply with each BBBEE pillar.

## The impact of the BBBEE on businesses

### Positives/advantages

- Businesses who are BBBEE-compliant will be rated high on the BBBEE scorecard/may get government tenders/may attract other BBBEE business partners/suppliers.
- Encourages businesses to address the demands for redress/equity directly in the workplace.
- Provides for enhanced human resources development through effective training and development.
- Promotes enterprise development by developing entrepreneurial skills of designated people to establish their own businesses.
- Businesses that focus on BBBEE show commitment towards the social/education/economic developments in the community/country.
- Improves the image of the business because a good BBBEE rating attracts more investors to the business.

AND/OR

### Negatives/disadvantages

- The implementation of BBBEE is time-consuming, expensive, prescriptive and administratively burdensome, especially attaining **BBBEE Scorecard** ratings and training of employees.
- Businesses have to endure rigid processes of having their BBBEE compliance measured/verified by an independent BBBEE verification agency.
- Some processes associated with BBBEE – if not monitored properly – may lead to corruption/nepotism/cronyism.
- BBBEE advocates Enterprise and Supplier Development (ESD), which means certain businesses that are not approved BBBEE vendors may be excluded from supplying goods and services.
- Businesses that wish to acquire government tenders and conduct business with the state, must have their BBBEE status assessed annually. This increases the administrative burden of businesses.
- Costs increase as businesses have to spend money on the correct compliance with the five BBBEE pillars to obtain a good BBBEE rating.

### A New words

**BBBEE scorecards** measure a business's compliance with BBBEE and a certificate is issued to the business that stipulates their BBBEE rating

### Actions regarded as non-compliance by BBBEE

- Employers who incorrectly implement the means to achieve the requirements of the five BBBEE pillars.
- Employers who fail to correctly implement affirmative action in the context of employment equity to meet BBBEE responsibilities.
- Employers who promote unsuitable people into management positions at the expense of qualified previously disadvantaged people.
- Employers who are deliberately involved in **fronting**, corruption, **nepotism** and **cronyism**, and because of this, certain individuals benefit at the expense of other individuals.
- Refusing to award government tenders to BBBEE-compliant vendors.

### A New words

**fronting** businesses that pretend to be BBBEE compliant by falsifying information related to BBBEE or lying about the management positions of black employees and pretending to appoint black employees in certain positions

**nepotism** providing family with positions, promotions or opportunities but are not qualified for the positions

**cronyism** providing friends with positions, promotions or opportunities but are not qualified for the positions

### Penalties/consequences for non-compliance with BBBEE

- Businesses that do not comply with BBBEE may receive a compliance order from the Labour Court, which forces the business to comply with BBBEE.
- Businesses who neglect to comply with BBBEE may receive large fines for fronting practices and may even be given a jail sentence (imprisonment), which will be dependent on the severity of the non-compliance.

**QR CODE**

The purpose of the article is for you to reflect on the implication of BBBEE on the contemporary business world.



<https://sundayworld.co.za/breaking-news/bbbbee-could-regenerate-industry/>

- Businesses may be fined with a penalty of up to 10% of the annual turnover of businesses.
- The state may decide not to renew business licences, revoke the business licence, or refuse to grant authorisations to conduct business activities.
- The state may cancel any contract awarded to businesses that have acquired them based on false information regarding their BBBEE status.
- Approved BBBEE compliant vendors will withdraw their contracts with non-compliant businesses.

### Ways in which businesses can comply with BBBEE

- Businesses need to find all means to achieve the requirements of the five BBBEE pillars, such as promoting affirmative action when making appointments.
- Conduct business activities with BBBEE compliant vendors/suppliers/participate in preferential procurement.
- Conduct regular skills development training with black employees.
- Sell shares to more black individuals within and outside the organisation.
- Appoint and promote more black employees into managerial positions.
- Implement sound Corporate Social Investment (CSI) policies to improve and develop society at large.

### ••| Activity 1.6 Classwork/Homework

#### QUESTION 1

1.1 Identify the BBBEE pillar implemented by Botha Food Retailers (BFR) in each statement below.

- 1.1.1 More opportunities have been created by BFR to sell shares to black people.
- 1.1.2 Black employees are encouraged to engage in various training programmes being offered at BFR.
- 1.1.3 There is greater visibility of appointed female managers at all BFR branches.

(3 × 2) (6)

#### QUESTION 2

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

#### WATIBE LIMITED (WL)

Watibe Limited requested Pondo Consultants to train all employees on the differences between BEE and BBBEE. It was highlighted that BEE is a policy that is not enforced by the government. Businesses are compelled to comply with the BBBEE Act. WL was also advised on how to apply the BBBEE pillars in the workplace.

- 2.1.1 Quote the difference between BEE and BBBEE as mentioned in the scenario. (2)
- 2.1.2 Describe other differences between BEE and BBBEE. (4)
- 2.1.3 Explain how WL can apply the following BBBEE pillars in the workplace:
  - a Enterprise and Supplier Development (ESD) (4)
  - b Social responsibility (4)
- 2.1.4 Evaluate the impact of BBBEE on WL as a business. (6)

[20]

## 1.7 The National Credit Act (NCA) (No. 34 of 2005)

The NCA is concerned with consumer credit and the credit industry. The NCA was promulgated/established to curb high levels of consumer debt, and to promote responsibility in making informed decisions before buying on credit. The NCA, therefore, prevents the reckless granting of credit to consumers to ensure that consumers do not become over-indebted. The NCA has resulted in the establishment of the National Credit Regulator (**NCR**).



### The purpose of the NCA

- Promotes the social and financial interests of South African consumers, and by extension the South African economy.
- Ensures that consumers of credit are well informed about the details included in their credit contracts.
- Promotes the responsible granting of credit by credit providers.
- Ensures that credit is equally available to all qualifying consumers.
- Protects both lenders and borrowers from negligent lending practices that may result in over-indebtedness for consumers.
- Ensures that the credit bureau/credit providers/debt counsellors are registered to avoid consumer exploitation.

### The impact of the NCA on businesses

#### Positives/advantages

- The NCA protects businesses against non-paying customers.
- Businesses complete thorough credit checks and receive up-to-date documentation from the consumer as proof that they can afford the repayments/credit.
- The information held by the credit bureau is made available to businesses so that they verify the creditworthiness of consumers before granting credit.
- Businesses that are authorised credit providers may attract more consumers.
- The correct implementation of the NCA leads to more customers through credit sales as they are now protected from abuse and exploitation.
- The whole credit process is transparent, that is, both credit providers/creditors and consumers/debtors know their responsibilities in terms of the NCA.

#### A New words

**NCR** the regulatory body that applies the NCA, educates consumers about their rights, and monitors, administers and ensures adherence of the NCA and the credit industry

#### QR CODE

NCA - National Credit Act



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

#### QR CODE

Does your Business have to Register as a Credit Provider in terms of the National Credit Act?



[https://www.youtube.com/watch?v=B6uSua1\\_BkA](https://www.youtube.com/watch?v=B6uSua1_BkA)

AND/OR

**A New words**

**blacklisting** the act of placing a judgement against the name of a bad debtor that fails to repay debt after several attempts have been made by the credit provider to recover the debt. The judgement against the name of the bad debtor means that the debtor will legally be prevented from purchasing goods on credit for a set period, for example, 5 years

**Negatives/disadvantages**

- The implementation of the NCA is time-consuming, expensive, prescriptive and administratively burdensome, especially complex and expensive debt collection procedures.
- Failing to comply with the NCA may result in legal action faced by the business.
- Businesses need to ensure that all attempts have been exhausted to recover debt, before **blacklisting** the consumer.
- Businesses/credit providers cannot collect a debt from consumers who are under debt review.
- Businesses that grant credit recklessly cannot recover the debt.
- The profit of businesses may decline because they can no longer depend on customers who had easy access to credit.

**Actions regarded as non-compliance by the NCA**

- Refusing to grant consumers credit based on any form of discrimination such as race, gender, age, religion, language, culture, sexual orientation.
- Charging different interest rates to different consumers based on discriminatory grounds such as race, gender, age, religion, language, culture, sexual orientation.
- Granting credit recklessly to consumers and failing to explain the credit contract to consumers.
- Failing to conduct affordability assessments to determine whether the customer actually can afford the credit being offered.
- Blacklisting customers without exhausting all efforts to recover the debt from the consumer.

**Penalties/consequences for non-compliance with the NCA**

- The National Credit Regulator (NCR) may impose a fine/penalty on the business for non-compliance.
- Businesses/credit providers may not charge any fee/interest/other charges under that specific credit agreement.
- The court may declare the granting of credit by the business as reckless, and may order consumers not to repay the credit/or part thereof to the business.
- Businesses may not demand payment, sue or attach the clients/consumer's salaries/assets to repay debt.
- The business bears all costs of removing the negative information of clients/consumers who were blacklisted as a result of granting credit recklessly.
- The business licence may be revoked for reckless granting of credit and gross violations contravening the NCA.

**Ways in which businesses can comply with the NCA**

- Conduct credit checks with a registered credit bureau and/or consult the National Credit Register.
- Register the business with the National Credit Regulator (NCR).
- Submit annual compliance reports to the NCR.
- Conduct affordability assessments to ensure that consumers can meet their obligations.

- Comply with the necessary procedures regarding the provisions of the Financial Intelligence Centre Act (FICA).
  - Verify the identity of clients and report suspicious transactions/train staff on their obligations in terms of **FICA**.

## The rights of consumers in terms of the NCA

Consumers of credit have the right to:

- apply for credit and to be free from discrimination of any form.
  - obtain reasons for credit being refused by credit providers.
  - receive protection of their personal information.
  - receive pre-agreement documentation before concluding any credit transaction.
  - fair and responsible credit marketing.
  - receive information in plain and understandable language.
  - receive documentation as required by the NCA.
  - access and challenge credit records and information held by the Credit Bureau.
  - surrender/return goods to the credit provider to settle the outstanding amount/debt.
  - apply for debt review/counselling if the consumers cannot afford to repay their debts.
  - receive protection from being held accountable for the use of their credit facility after they reported the loss/theft.
  - refuse a credit limit increase.

 | Activity 1.7

## Classwork/Homework

## QUESTION 1

- 1.1** Choose a description from COLUMN B that matches a term in COLUMN A.  
Write only the letter (A – F) next to the question number (1.1.1 -1.1.3) in your notebook, for example 1.1.3 G.

Column A		Column B	
1.1.1	National Credit Regulator (NCR)	A	promulgated to curb high levels of consumer debt and promote responsibility before making credit purchases
1.1.2	Debt review	B	consumers may receive credit even though affordability assessments prove otherwise
1.1.3	National Credit Act (NCA)	C	ensures that employment contracts meet certain basic requirements
		D	protects consumer rights in the consumer market
		E	monitors the credit industry in South Africa
		F	this right applies if consumers cannot afford to repay their debts

(3 x 2) (6)

## A New words

## **FICA** South Africa's primary anti-monetary laundering and counter-terrorism financing legislation

## Tip

A common exam error is that learners confuse the rights of consumers in terms of the CPA with the NCA. The rights of consumers with regard to the NCA focuses on credit, whereas the rights of consumers with regards to the CPA focuses on the safety and marketing of products in the consumer market.



QR CODE

The purpose of the article is for you to reflect on the implication of the NCA in reality/contemporary business world.



<https://mg.co.za/special-reports/2021-02-15-debt-another-side-effect-of-the-coronavirus/>

**Activity 1.7****Classwork/Homework****cont.****QUESTION 2: BUSINESS ENVIRONMENTS (NATIONAL CREDIT ACT)**

The National Credit Act (NCA), 2005 (No. 34 of 2005) has transformed the credit industry in South Africa and stipulates the rights of consumers in the context of the NCA. Businesses must know the impact of the NCA on their operations and comply with this Act.

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

- Outline the purpose of the National Credit Act.
- Explain the rights of consumers as stipulated in the NCA.
- Discuss the impact of the NCA on businesses.
- Recommend ways in which businesses can comply with the NCA.

**[40]**

## **1.8 The Consumer Protection Act (CPA) (No. 68 of 2008)**

**A New words**

**NCC** the primary regulator of consumer-and-business interactions in South Africa and was established to promote and ensure the economic welfare of consumers

The CPA was promulgated/established to redress economic inequalities of the past and to promote equality in the consumer market for all consumers of goods and services. The CPA promotes and advances the social and economic welfare of consumers in South Africa. The promulgation of the CPA has resulted in the establishment of the National Consumer Commission (**NCC**). The CPA compels both businesses and consumers to act responsibly when conducting business activities. In addition, the CPA applies to every single transaction involving the buying and selling of goods and services in South Africa.

**QR CODE**

Plain Language - The Consumer Protection Act's Perspective



<https://www.youtube.com/watch?v=ZqZS0gz0xlo>

**The purpose of the CPA**

- Promotes fair/accessible and sustainable places for producers to sell their products.
- Promotes responsible consumer behaviour amongst consumers.
- Ensures the consistent application of laws relating to consumer transactions and agreements.
- Promotes the rights and full participation of historically disadvantaged individuals as consumers in the economy.
- Establishes national standards to protect consumers regardless of economic status.
- Provides guidelines for better consumer information and prohibits unfair business practices.

**The impact of the CPA on businesses****Positives/advantages**

- Enables businesses to resolve disputes fairly through the National Consumer Commission (NCC)/Consumer Court/Industrial ombudsmen.
- Allows businesses to build a good image when they ensure that consumer rights are effectively promoted and not violated.

- Protects businesses if they are regarded as consumers.
- Safeguards businesses from dishonest competitors.
- Businesses may gain increased customer loyalty and improve profitability because of compliance with the CPA.
- There is a significant drop in court cases against businesses, as businesses consciously and actively prevent consumer rights violations.

**AND/OR**

### Negatives/disadvantages

- The implementation of the CPA is time-consuming, expensive, prescriptive and administratively burdensome, especially the implementation processes and procedures required by the CPA.
- Consumers can take advantage of businesses and return goods when it is not necessary to do so.
- Businesses may lose their competitive advantage as confidential and classified information may become available to competitors.
- Training costs of the business increases as staff need to be trained on the implications of the CPA, and businesses often need to employ legal specialists that are knowledgeable of the CPA to conduct such training.
- Documentation, such as sales contracts, must be edited, upgraded and simplified. This places additional financial strain on the business because consumers have the right to receive contracts in a language that is easy to understand.
- Businesses experience significant increases in administration costs because legal contracts need to be reworded in plain language that is easily understandable by consumers.



**QR CODE**

TPN Legal Training - The Consumer Protection Act



<https://www.youtube.com/watch?v=ti1792rLpcY>

### Actions regarded as non-compliance by the CPA

- Treating customers unfairly based on any form of discrimination such as race, gender, age, religion, language, culture, disability, sexual orientation.
- Charging different and unfair prices to consumers for the same goods and services.
- Denying/refusing customers proper information about the goods and services.
- Varying/differentiating the quality of goods when selling in different areas – this is known as place discrimination.
- Prioritising the needs of any consumer group over another when marketing/selling goods and services.
- Falsifying information such as country of origin, types of ingredients and expiry dates, etc., about the product.

### Penalties/consequences for non-compliance with the CPA

- Businesses that do not comply may receive a compliance order that forces the business to comply with the CPA.
- Businesses who neglect to comply with the CPA may receive large fines and may be given a jail sentence/imprisonment, which will be dependent on the severity of the non-compliance.
- Licences of businesses may be revoked for unfair consumer practices.
- A business may be requested by the NCC to suspend activities indefinitely.
- Businesses may be compelled to pay interest or damages that are due to the consumer.

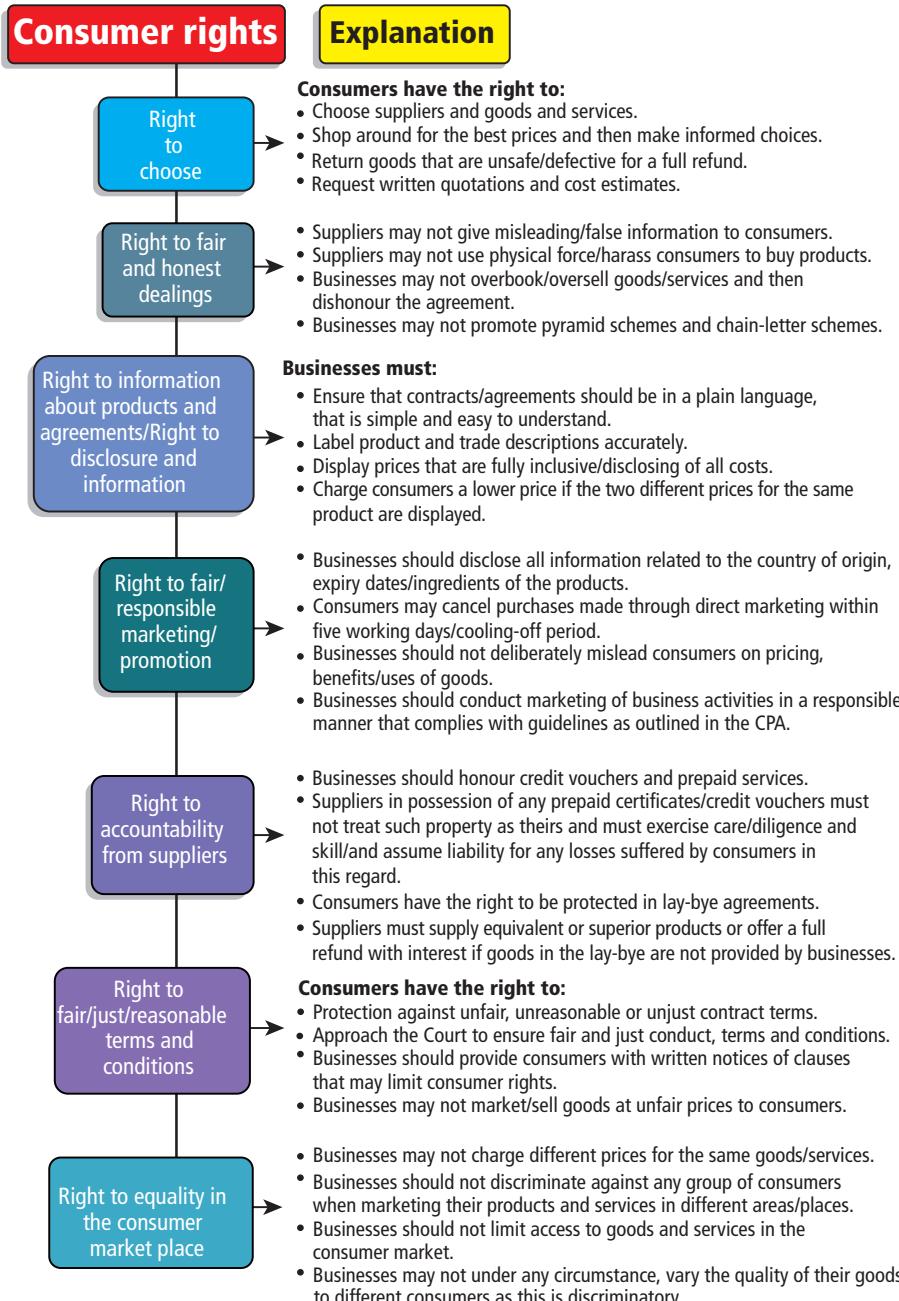
## Ways in which businesses can comply with the CPA

- Display the name of the business all business documentation, for example, letterheads/invoices/contracts.
- Allow consumers a five day cooling-off period in the sales agreement.
- Disclose the prices of all products that are on sale.
- Ensure that the quality of the goods and services is standardised and identical for all consumers.
- Comply with requirements regarding the display of information on labels/packaging, for example, smoking is hazardous for pregnant women.
- Conduct training with all staff members and stakeholders on the CPA.

### Tip

Consumer rights should be worded as stipulated in the CPA. Changing the wording may change the context.

## The rights of consumers in terms of the CPA



### Tip

An added benefit would be to identify and explain each right.

**Activity 1.8****Classwork/Homework****QUESTION 1**

- 1.1 Identify the correct right according to the CPA represented by each statement below.
- 1.1.1 Suppliers may not provide consumers with false information.
  - 1.1.2 Consumers may shop around for the best prices and then make informed decisions.
  - 1.1.3 Labelling of products and trade descriptions must accurately be provided to consumers.
  - 1.1.4 Consumers have the right to be protected in lay-bye agreements.
  - 1.1.5 Businesses may not charge different prices for the same goods and services.

(5 × 2) (10)

**QUESTION 2**

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

**OUTSTANDING CLOTHING RETAILERS (OCR)**

Outstanding Clothing Retailers (OCR) has spent a significant amount of money on training all staff members on the various legislation. The different legislation has different purposes, which may include the following:

- Ensures that credit is equally available to all qualifying consumers.
- Promotes responsible consumer behaviour amongst consumers.
- Establishes national standards to protect consumers regardless of economic status.

- 2.1.1 Quote TWO purposes of the CPA from the scenario above. (2)
- 2.1.2 Outline actions regarded as discriminatory according to the CPA. (4)
- 2.1.3 Explain the negative impact of the CPA on OCR as a business. (6)
- 2.1.4 Discuss any FOUR consumer rights in terms of the CPA. (12)
- 2.1.5 Advise OCR on the penalties for non-compliance with regards to the CPA. (6)

[30]

**QR CODE**

The purpose of the link is for further reading. The guide provides additional details on the rights of consumers in the context of the CPA.



<https://www.westerncape.gov.za/other/2012/4/guide-to-cpa.pdf>

**QR CODE**

The purpose of the article is for you to reflect on the implication of the CPA in the contemporary business world.

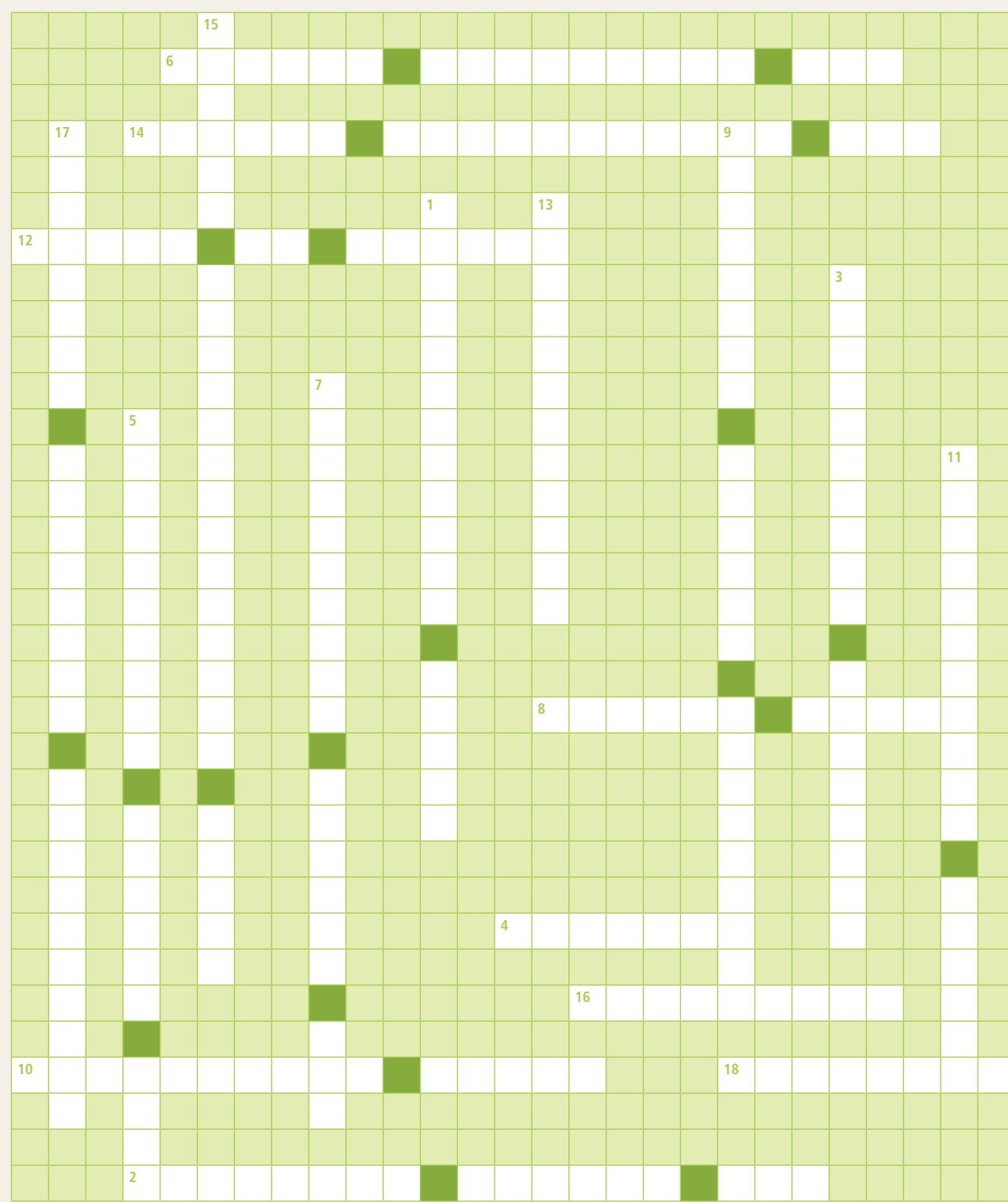


<https://www.grocotts.co.za/2021/02/09/as-a-consumer-do-you-have-rights>

## Consolidation

### QUESTION 1: CROSSWORD PUZZLE

Complete the crossword puzzle by using the clues provided on page 37.



## Consolidation

Down		Across	
1	A statutory body of the Compensation Fund that advises the Minister of Labour on issues such as policy matters and amendments to COIDA.	2	Protects both lenders and borrowers from negligent lending practices.
3	Negotiations between trade union representatives and employer organisations on labour related issues such as demand for higher wages.	4	Not allowing employees to enter the business premises during strike action to prevent looting and damages to property.
5	A document that outlines how the business intends to achieve employment equity over five years.	6	Sound relations between employees and employers, and trade unions and employer organisations, are promoted by this legislation.
7	This legislation was promulgated to primarily promote affirmative action.	8	This regulatory body adjudicates on matters relating to labour disputes that cannot be resolved by the CCMA.
9	The regulatory body that educates consumers about their rights, and monitors the credit industry in South Africa.	10	A document issued by a court of law to a business that forces the business to adhere to a specific aspect of the legislation.
11	The policy and process of providing preferences in employment opportunities for previously disadvantaged people.	12	This consumer right advocates the ability of the consumer to make informed choices before making purchases.
13	Structured learning programmes that include both practical and theoretical training that contribute towards an NQF recognised qualification.	14	The National Skills Development Strategy (NSDS) and Human Resources Development Strategy (HRDS) have been established as a result of this Act.
15	The type of leave granted to an employee to attend the funeral of a close relative.	16	The BBBEE pillar that focuses on creating more opportunities for black people to become owners and entrepreneurs.
17	The primary regulator of consumer-and-business interactions in South Africa and was established to promote and ensure the economic welfare of consumers.	18	Businesses that pretend to be BBBEE compliant by falsifying information related to BBBEE or lying about the management positions of black employees.

(2 × 18) (36)

### 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 (2.1.1 to 2.1.5) in your notebook for example, 2.1.5 D.

2.1.1 Businesses apply the BBBEE pillar of...when black employees are included in the decision-making processes.

- A management control
- B skills development
- C socio-economic development
- D enterprise and supplier development (ESD)

2.1.2 The right to...outlines that businesses should honour credit vouchers and prepaid services to consumers according to the Consumer Protection Act (CPA), 2008 (No. 68 of 2008).

- A reasonable terms and conditions
- B equality in the consumer market
- C fair and honest dealings
- D accountability from suppliers

**Consolidation**

- 2.1.3** The...makes provision for the establishment of the Commission for Conciliation, Mediation and Arbitration (CCMA).
- A Labour Relations Act, 1995 (No. 66 of 1995)  
 B Employment Equity Act, 1998 (No. 55 of 1998)  
 C National Credit Act, 2005 (No. 34 of 2005)  
 D Compensation for Occupational Injuries and Diseases Amendment Act, 1997 (No. 61 of 1997)
- 2.1.4** Mihle is entitled to 6 weeks paid...in a period of 36 months according to the Basic Conditions of Employment Act (BCEA), 1997 (No. 75 of 1997).
- A annual leave  
 B maternity leave  
 C sick leave  
 D family responsibility leave
- 2.1.5** This legislation was promulgated with the primary purpose of promoting affirmative action.
- A Broad-Based Black Economic Empowerment Act (BBBEE), 2003 (No. 53 of 2003, as amended in 2013)  
 B Labour Relations Act, 1995 (No. 66 of 1995)  
 C Skills Development Act (SDA), 1998 (No. 97 of 1998)  
 D Employment Equity Act (EEA), 1998 (No. 55 of 1998)

(5 × 2) (10)

- 2.2** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question number (2.2.1 - 2.2.5) in your notebook, for example, 2.2.6 J.

COLUMN A	COLUMN B
2.2.1 Sector and Training Authorities (SETAs)	A employees must be paid double their normal wage rate according to this provision of the BCEA
2.2.2 Public holidays	B benefitted only a few previously disadvantaged people in the economy
2.2.3 Black Economic Empowerment (BEE)	C this body was formed as a result of the establishment of the NCA
2.2.4 Commission for Conciliation, Mediation and Arbitration (CCMA)	D aims to distribute the country's wealth across a broader spectrum of society
2.2.5 Employment Equity Act (EEA)	E limits exposure and access to learnerships for employees
	F develops skills plans for the various economic sectors in South Africa
	G an independent dispute resolution body that promotes cooperation and industrial peace
	H employees must be paid one and a half times their normal wage rate according to this provision of the BCEA
	I encourages diversity and promotes fair treatment in the workplace
	J provides compensation for workplace injuries

(5 × 2) (10)  
[20]

## Consolidation

### QUESTION 3

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

#### DENISHA HANSEN MANUFACTURERS (DHM)

DHM specialises in the manufacturing of men's clothing. The business is struggling to pay its creditors due to the high inflation rate. There are certain legislation that DHM is currently contravening. The business does not pay the 1% SDL irrespective that the annual payroll is R6 500 000. When workers work on Sundays, they are paid their normal rate. Due to fronting, this misrepresentation has resulted in greater access to government tenders. In addition, the country of origin for the materials used is not indicated in the labels of the garments. Furthermore, affirmative action requirements are often not met.

- 3.1.1** Identify FOUR Acts with which DHM does not comply. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 3.1.1.

ACTS	MOTIVATIONS
1	
2	
3	
4	

(12)

- 3.2** List FOUR consumer rights according to the National Credit Act (NCA), 2005 (No. 34 of 2005). (4)  
**3.3** Outline the role of SETAs in supporting the implementation of the SDA. (6)  
**3.4** Explain parental leave as a provision of the Basic Conditions of Employment Act (BCEA), 1997 (No. 75 of 1997). (6)  
**3.5** Discuss the negative impact of the Employment Equity Act (EEA), 1998 (No. 55 of 1998) on businesses. (6)  
**3.6** Suggest ways in which businesses can comply with the Broad-Based Black Economic Empowerment Act (BBBEE), 2003 (No. 53 of 2003, as amended in 2013). (6)

[40]

### QUESTION 4

**4.1** Identify the legislation applicable in EACH statement below.

- 4.1.1** Aims to accelerate equitable wealth distribution amongst all population groups in South Africa.  
**4.1.2** Established to curb high levels of consumer debt.  
**4.1.3** SETAs have been established as a result of the promulgation of this legislation.  
**4.1.4** Outlines the legalities of employment contracts.  
**4.1.5** Employers make contributions to the Compensation Fund in the event of workplace accidents, injuries and fatalities.

(5 × 2) (10)

### Consolidation

**4.2** Outline the purpose of the Skills Development Act (SDA), 1998 (No. 97 of 1998). (6)

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

#### NKWENKWANA PROFESSIONAL HAIRSTYLISTS (NPH)

A hairstylist at Nkwenkwana Professional Hairstylists did not declare all the ingredients of one of the hair products to a customer, and because of this, the customer, who was allergic to one of the ingredients, was hospitalised. Sales staff also harassed customers to make purchases. The management of NPH is saddened by the severe non-compliance with the Consumer Protection Act (CPA), 2008 (No. 68 of 2008) because it has tarnished the name of NPH.

**4.3.1** Identify TWO consumer rights violated by NPH. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 4.3.1.

CONSUMER RIGHTS	MOTIVATIONS
1	
2	

**4.3.2** Explain any TWO consumer rights as outlined in the CPA, other than those referred to in the scenario above. (6)

**4.3.3** Suggest ways in which NPH can comply with the CPA. (6)

**4.4** Evaluate the impact of Compensation for Occupational Injuries and Diseases Amendment Act (COIDA), 1997 (No. 61 of 1997) on businesses. (6)  
[40]

### QUESTION 5: BUSINESS ENVIRONMENTS (BASIC CONDITIONS OF EMPLOYMENT ACT AND LABOUR RELATIONS ACT)

The Basic Conditions of Employment Act (BCEA), 1997 (No. 75 of 1997), and the Labour Relations Act (LRA), 1995 (No. 66 of 1995) are recent legislation that impact on the operations of businesses. Businesses must adhere to the provisions of the BCEA. Guarding against discriminatory practices is a requirement for all businesses.

Write an essay on the BCEA and LRA in which you include the following aspects:

- Outline the purpose of the BCEA.
- Explain FOUR provisions of the BCEA.
- Discuss the impact of the LRA on businesses.
- Advise businesses on the actions regarded as non-compliance according to the LRA.

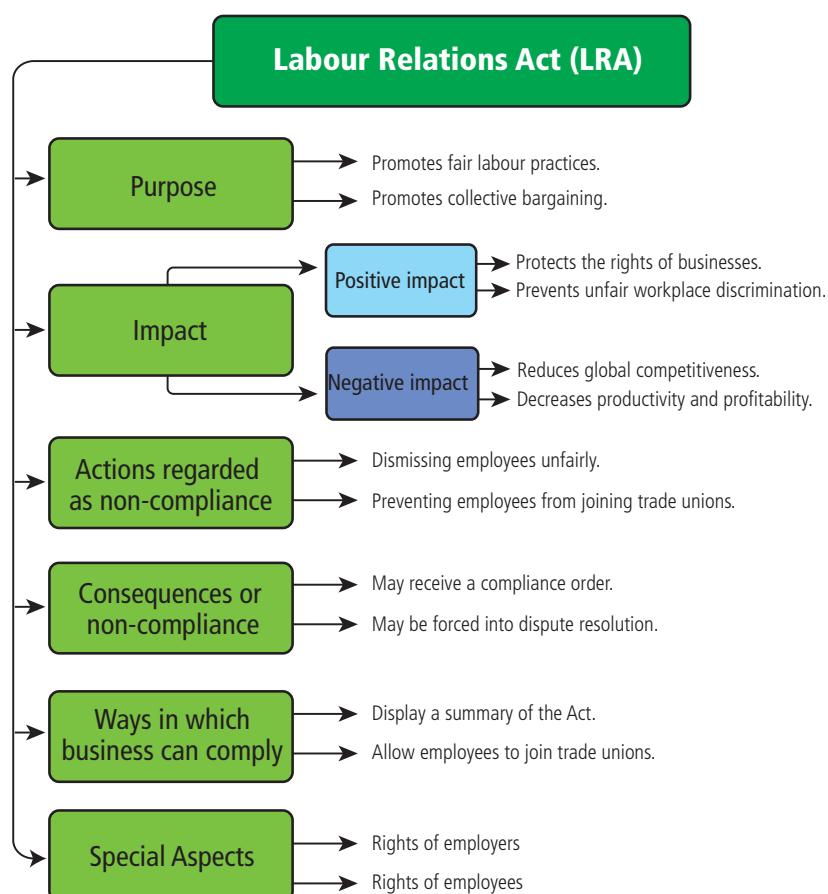
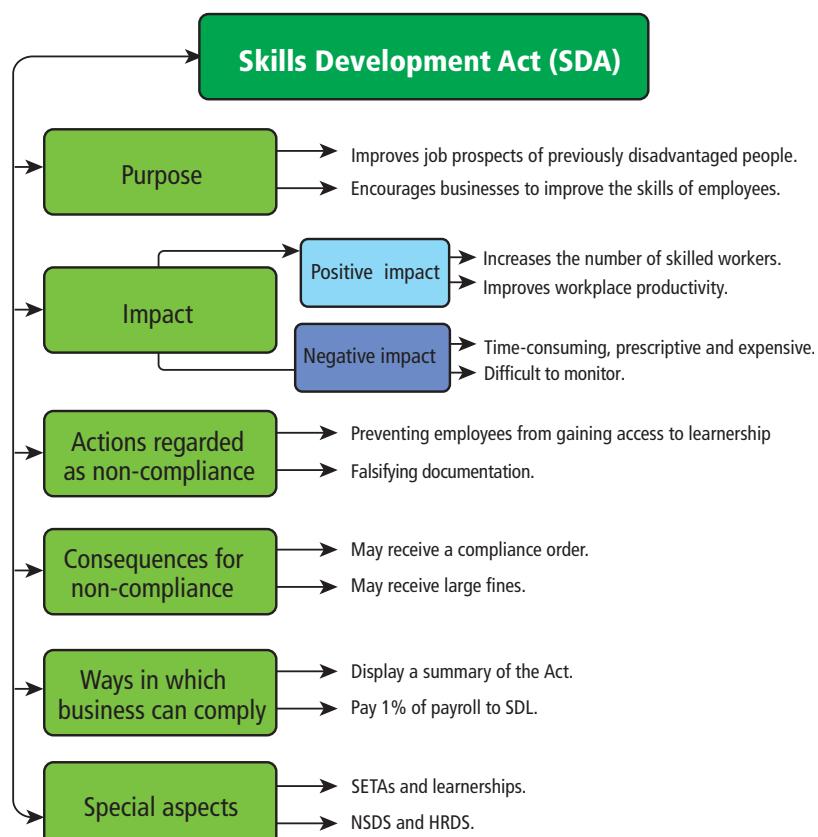
#### Tip

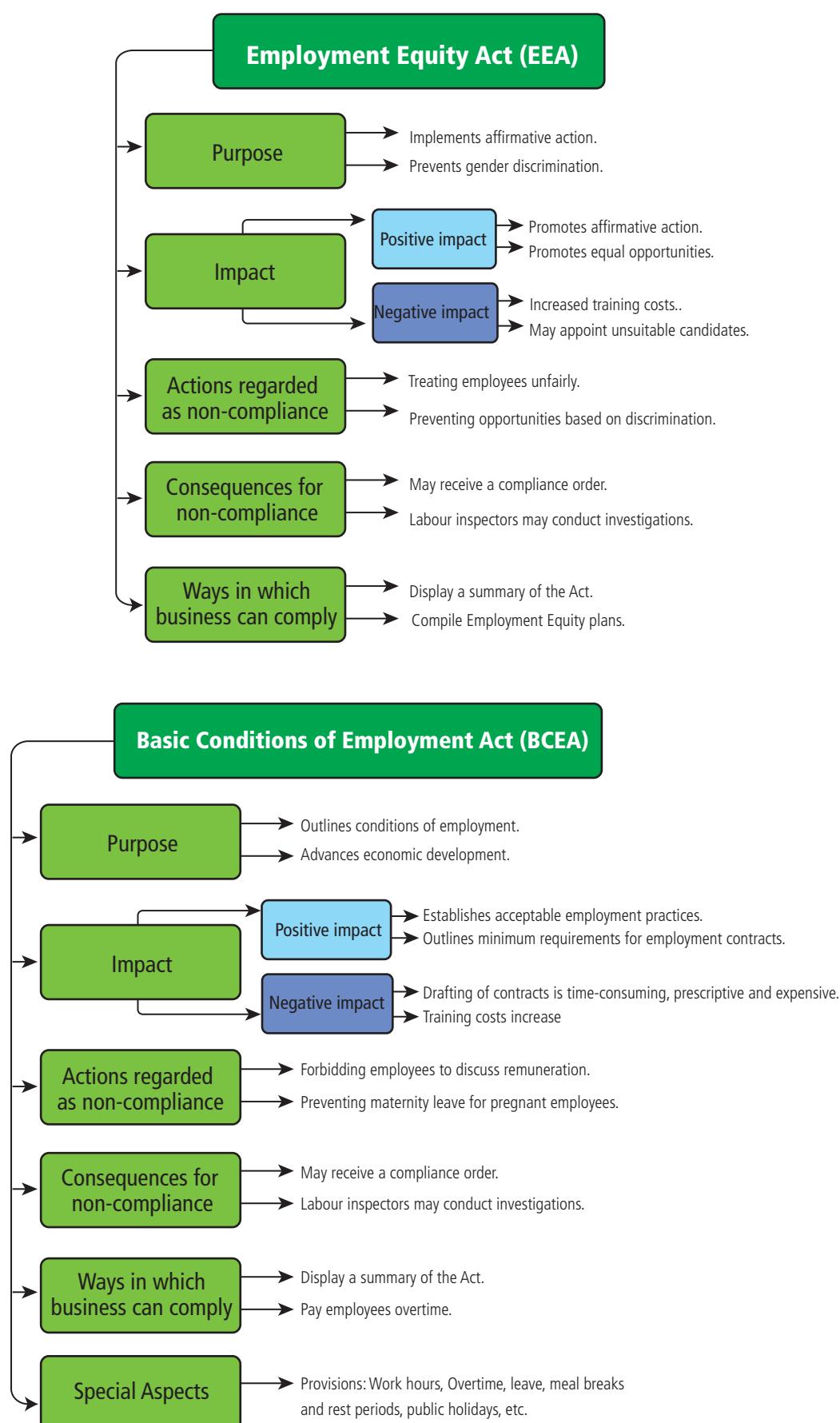
There are no set essays in Business Studies. It is highly possible that a variety of sub-topics within a main topic can be examined in the same essay, as is with the essay on the left. It is important, therefore, to practice a variety of essay questions.

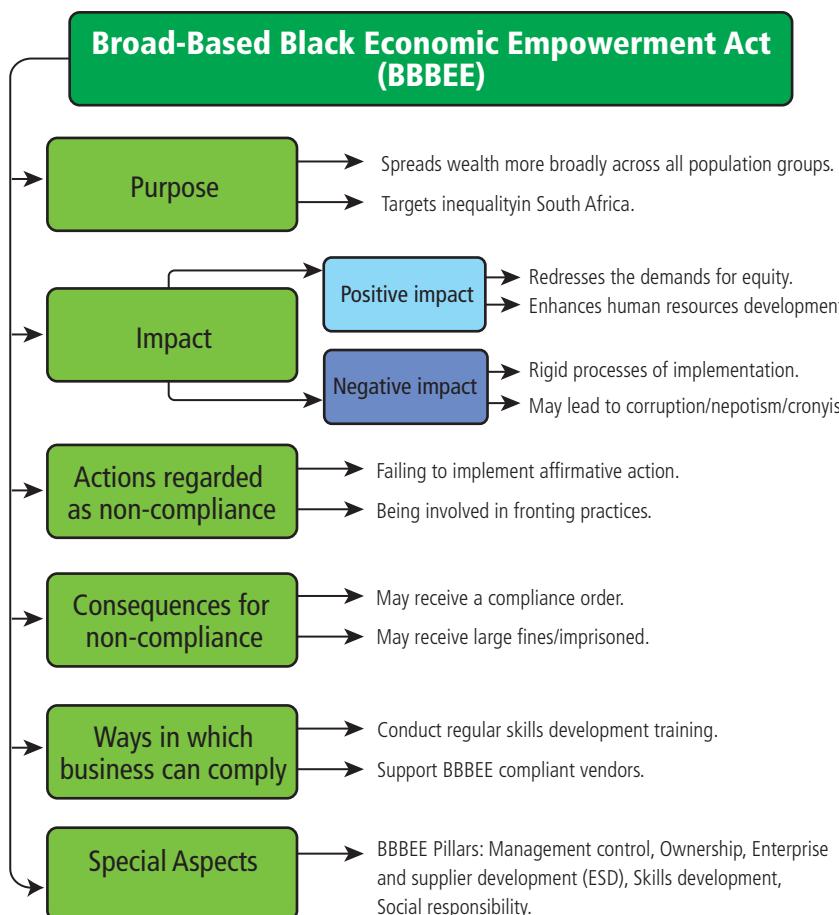
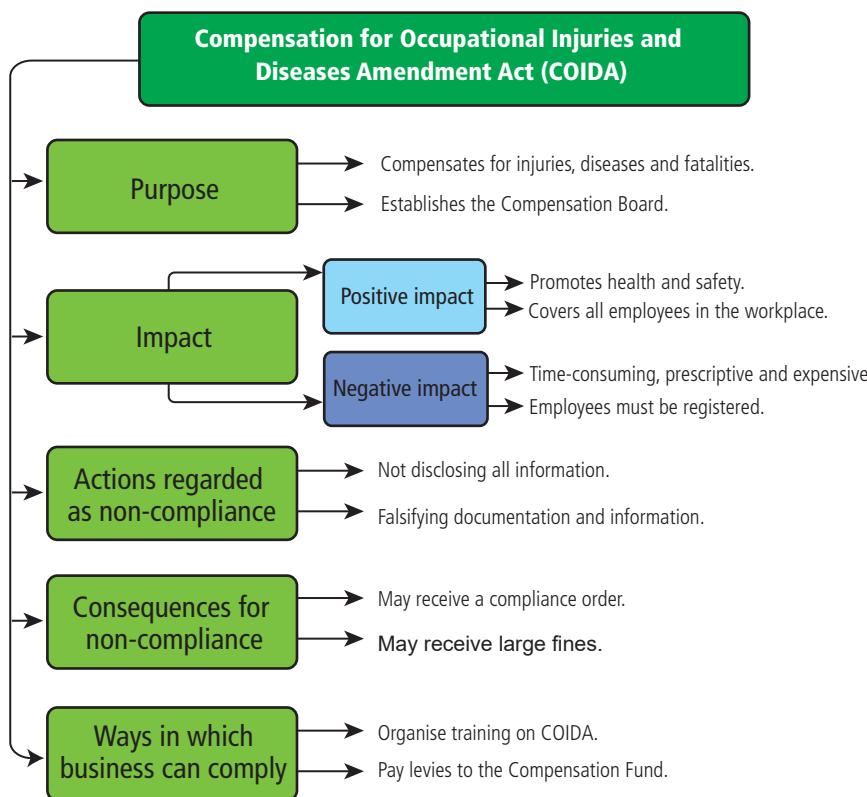
[40]

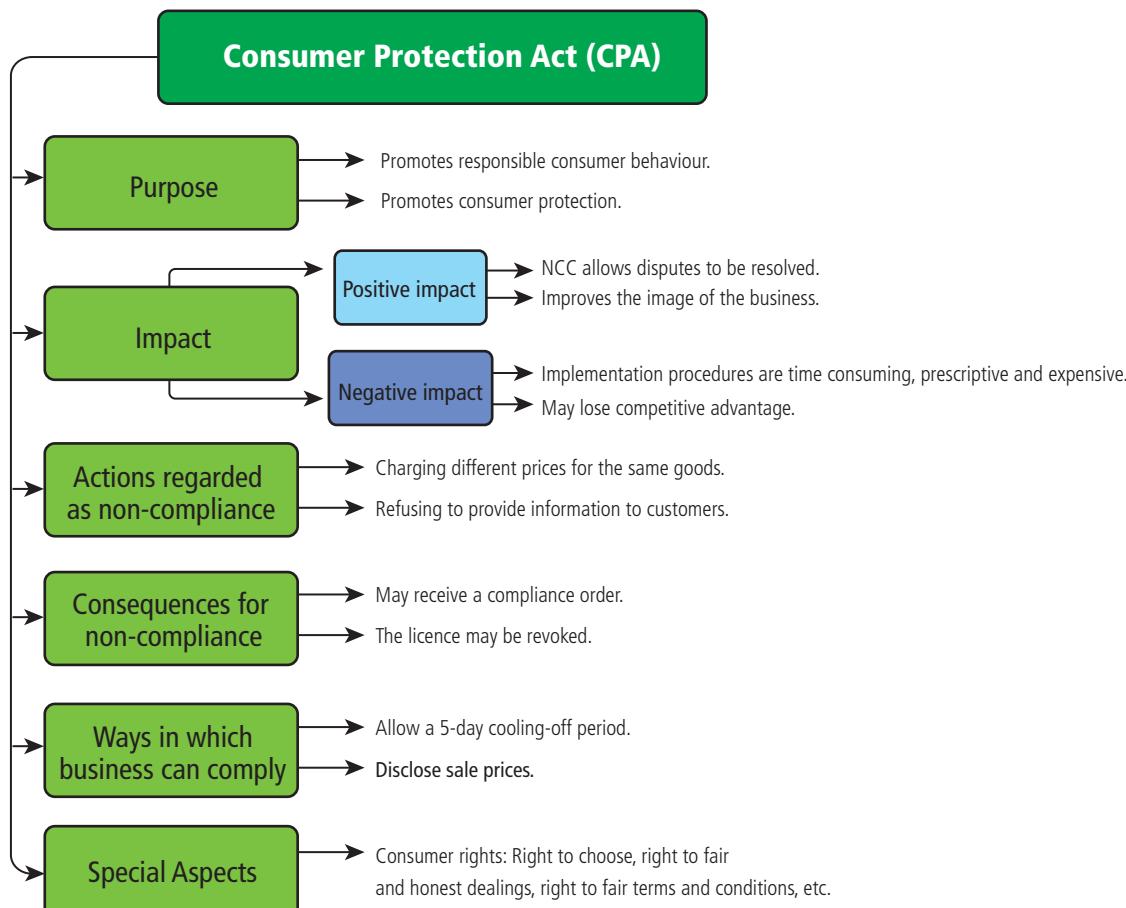
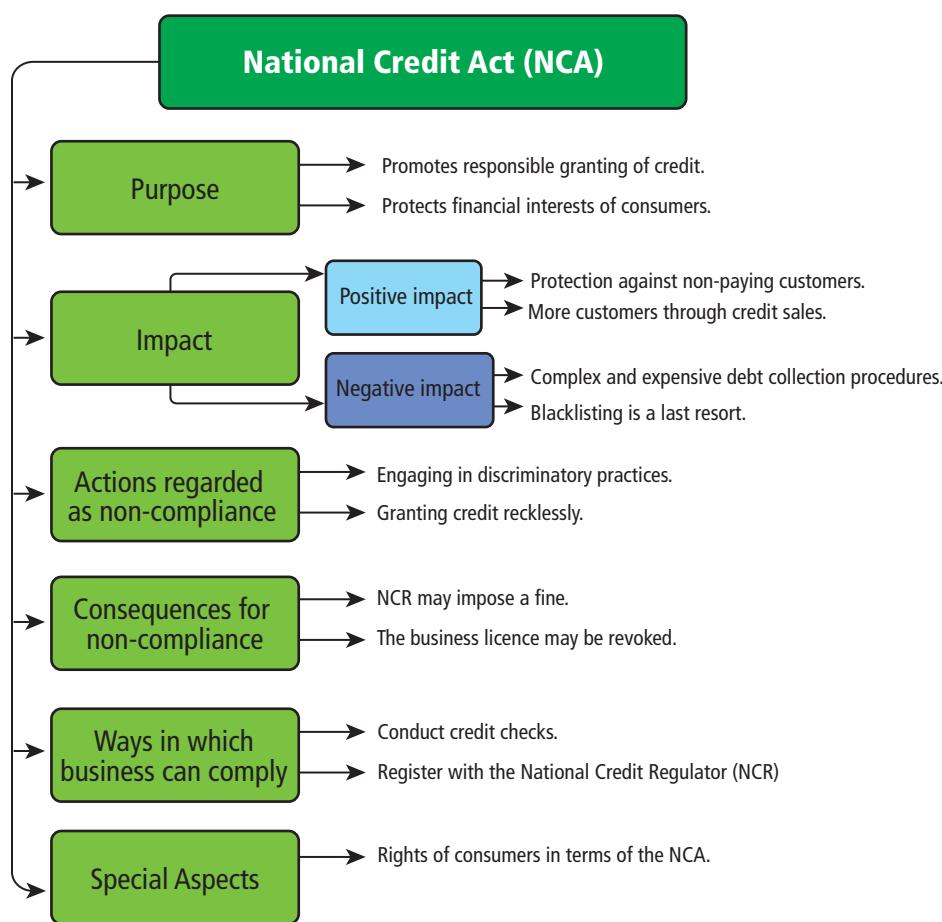
## Mind map: Topic 1 – The impact of recent legislation on businesses

Use the mind maps as a guide to consolidate the content covered in this topic.  
Ensure that you study the content relevant to each heading in this chapter.









## TERM 1

## 2

# The human resources function



## TOPIC OVERVIEW

- **Unit 2.1** Recruitment
- **Unit 2.2** Selection
- **Unit 2.3** Induction
- **Unit 2.4** Placement
- **Unit 2.5** Salary determination
- **Unit 2.6** Fringe benefits
- **Unit 2.7** The implications of the legislation on the human resources function



## Learning objectives

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

- ❖ explain/elaborate on the meaning of recruitment, job analysis and screening as part of the selection procedure
- ❖ outline/explain/discuss the recruitment procedure
- ❖ differentiate/distinguish between job description and job specification as components of a job analysis
- ❖ identify a job description and job specification from given statements/scenarios
- ❖ identify methods of recruitment (internal/external recruitment) from given scenarios/statements
- ❖ explain/discuss/analyse the impact (positives/advantages and/or negatives/disadvantages) of the methods of recruitment
- ❖ identify/give examples of sources of internal/external recruitment from given scenarios/statements
- ❖ outline/explain/discuss the selection procedure
- ❖ discuss/explain the purpose of an interview
- ❖ outline/explain/discuss the role of the interviewer before and during an interview
- ❖ outline/explain/discuss the role of the interviewee during an interview
- ❖ define/elaborate on the meaning of an employment contract
- ❖ name/outline/state the details/aspects/contents of an employment contract
- ❖ outline/explain/discuss the legal requirements/legalities of an employment contract



### Learning objectives

- ❖ analyse an employment contract from given scenarios and make recommendations for improvement
- ❖ state/outline/explain/discuss the reasons for the termination of an employment contract
- ❖ define/elaborate on the meaning of induction
- ❖ outline/explain/discuss the purpose of induction
- ❖ outline aspects that must be included in the induction programme
- ❖ evaluate an induction programme from given scenarios and make recommendations for improvement
- ❖ discuss/explain the advantages/benefits of induction for businesses.
- ❖ identify the benefits of induction from given scenarios
- ❖ elaborate on the meaning of placement
- ❖ outline/explain/discuss the placement procedure
- ❖ explain/discuss the importance of training/skills development as part of the human resources function
- ❖ explain/differentiate/distinguish between piecemeal and time-related salary determination methods
- ❖ explain the link between salary determination and the Basic Conditions of Employment Act (BCEA)
- ❖ name/state/give examples of employee benefits, such as, pension, medical aid, provident fund, allowances
- ❖ discuss/evaluate the impact (positives/advantages and/or negatives/disadvantages) of fringe benefits on businesses
- ❖ explain UIF as a benefit required by law (compulsory benefit)
- ❖ discuss the implications of the following legislations 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)
  - ❖ Skills Development Act (SDA) (No. 97 of 1998).



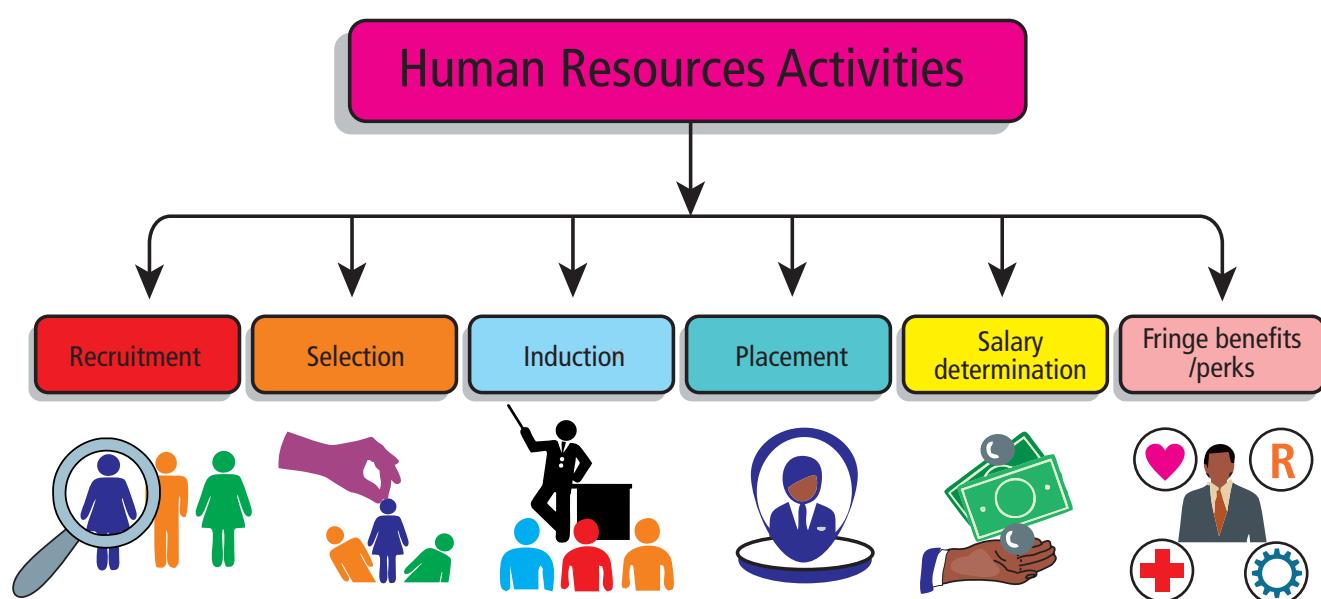
### Key concepts

- **Curriculum Vitae (CV):** a brief summary of the education, qualifications, experience, skills, previous occupations and special personality traits of an individual that is used when applying for a job.
- **Employment contract:** a legally binding agreement between the employer and the employee.
- **External recruitment:** process of sourcing potential candidates for certain available posts from outside the business.
- **Fringe benefits:** benefits provided by the business to employees in addition to their salaries.
- **Induction:** includes introductory training of new workers to the workplace/organisation which includes valuable information about products/services/processes/procedures/policies/immediate team and management.
- **Internal recruitment:** process of sourcing potential candidates for certain available posts from within the business.
- **Interview:** a formal meeting where information is exchanged between the interviewer and the interviewee/respondent/applicant.
- **Interviewee:** applicant/candidate that answers the questions during the interview.

- **Interviewer:** individual/manager responsible for asking questions during the interview/conducting the interview.
- **Job analysis:** a tool used by the human resources function to obtain and analyse information about the business's workforce so that they can place the right person in the right job and consists of the job description and job specification.
- **Job description:** describes duties/responsibilities/of a specific job.
- **Job specification:** describes the minimum acceptable personal qualities/skills/qualifications needed for the job.
- **Placement:** selected candidates are placed/positioned where they will function optimally and add value to the business.
- **Preliminary interviews:** a short form of interviewing potential candidates in order to determine which candidates meet the specific criteria.
- **Recruitment:** process used by a business to identify certain vacancies in the business and attract suitable candidates for it.
- **Selection:** choosing a qualified candidate/applicant for an available post based on the requirements of job analysis.
- **Selection procedure:** the process that needs to be followed before appointments are made.

## Introduction

The human resources function is responsible for a wide variety of core functions. This function plays one of the most critical roles in a business because the application of sound human resources practices and policies primarily influences the types of employees that the business employs/attracts. Several disciplines/functions/components exist within the human resources function. These include recruitment, selection, induction, placement, salary determination, fringe benefits and legislation. These disciplines/functions/components/activities are all aimed at achieving organisational objectives.



## 2.1 Recruitment

### Introduction to recruitment

In Grade 11 we learned about the meaning of recruitment, the recruitment procedure, the components of job analysis, as well as internal and external methods of recruitment. Employees are the most valuable asset of a business, and therefore the success of a business is strongly influenced by sound recruitment processes applied by the human resources function. Recruitment aims to attract/source the best possible applicants that possess the required skills/knowledge/qualifications/competencies/experience to fill vacancies/available posts. The human resources department must make use of reliable recruitment procedures/processes/systems to achieve specific human resources goals.



#### QR CODE

The recruitment process



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

### The meaning of recruitment

- The process used by a business to identify certain vacancies in the business and attract suitable candidates for them.
- Businesses may choose to use an internal or external method of recruitment. The method they choose will depend on the nature/requirements of the vacancy.
- Recruitment is an ongoing process because employees leave their jobs for other jobs/achieve promotions/retire/as new technical skills are required.
- It begins with the process of actively seeking out/finding candidates for vacancies, to the successful integration of the candidate/recruit into the business.

## Recruitment procedure

- The human resources manager (HRM) should evaluate the job/prepare a job analysis, that includes the job specification/job description/in order to identify recruitment needs.
- The HRM should indicate the job specification/key performance areas to attract suitable candidates.
- Choose the method of recruitment, e.g. internal/external recruitment, to reach/target the suitable applicants/ candidates.
- If external recruitment is chosen, the relevant recruitment sources should be selected, e.g. recruitment agencies/tertiary institutions/newspapers/electronic media, etc.
- Vacancies can be internally advertised via internal email/word of mouth/posters/office notice boards etc.
- External recruitment should be considered if internal recruitment was unsuccessful.
- The advertisement should be prepared with the relevant information, e.g. the name of the company, contact details, contact person, etc.
- Place the advertisement in the selected media that will ensure that the best candidates apply.

### Tip

Ensure that you know the recruitment procedure very well as it may consist of 8 or 12 marks depending on the section in which the question is asked.

## The meaning of job analysis

- A job analysis is a tool used by the human resources function to source and analyse information about the business's workforce. This information is then used to place/recruit the right person in the right job.
- A job analysis consists of a job description and job specification.
- The employer must be clear about the nature/type of work a potential employee will need to perform so that an appropriate job description and job specification can be prepared.

### Tip

The moment you see job analysis, instantly think of job description and job specification.

## The differences between a job description and job specification

Job description	Job specification
<ul style="list-style-type: none"> <li>Describes duties/responsibilities of a specific job.</li> </ul>	<ul style="list-style-type: none"> <li>Describes the minimum acceptable personal qualities/skills/qualifications needed for the job.</li> </ul>
<ul style="list-style-type: none"> <li>A written description of the job and its requirements./A summary of the nature/type of job.</li> </ul>	<ul style="list-style-type: none"> <li>A written description of specific qualifications/skills/experience needed for the job.</li> </ul>
<ul style="list-style-type: none"> <li>Describes key performance areas for a specific job, for example, job title/duties/working conditions/locations of the place of work/relationship of the job with other jobs in the business, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Describes key requirements for the person who will fill the position, for example, formal qualifications/willingness to travel/work unusual hours, etc.</li> </ul>

**Tip**

You should have sound knowledge of both internal recruitment and external recruitment.



## Methods of recruitment

Two main/central methods of recruitment may be used by a business. The method of recruitment used by the business is determined by the nature/type of job and its specific requirements.

### Internal recruitment



#### Sources of internal recruitment

- Internal emails/intranet/websites to staff
- Word of mouth
- Business newsletters/Circulars to staff
- Internal/management referrals
- Office notice boards
- Internal bulletins
- Recommendation of current employees
- Headhunting within the business/organisational database

### A New words

**internal recruitment** the process of sourcing potential candidates for certain available posts from within the business

### The impact of internal recruitment

#### Positives/advantages

- The business recruits existing employees through promotions/transfers from inside the business.
- Opportunities for promotion rewards good work and motivates current employees.
- Reliable/key staff members are retained if they are promoted/transferred within the business.
- Staff morale and productivity increases if suitable staff members are promoted regularly.
- Current employees understand the operations/functions of the business.
- The business knows the personality, strengths and weaknesses of the candidate.
- The recruitment process is faster/less expensive if the candidates are known to the business.

**Tip**

The impact refers to the positives and/or negatives.



AND/OR

#### Negative/disadvantages

- Current employees may not bring new ideas into the business./Limited idea generation from current employees.
- Promoting a current employee may cause resentment amongst existing/other employees.
- The number of applicants is limited to current staff only./Limited pool of applicants.
- Employees who do not have the required skills for the new job may be promoted.
- Current employees may need to be trained/developed before they can be promoted, which can be expensive/time-consuming.
- Employees who are not promoted may feel demotivated, which may hamper productivity/reduce morale.

## External recruitment

### Sources of external recruitment

- Printed media, for example, newspapers/flyers/magazines
- Electronic media, for example, radio/TV
- Social media/social networks/internet/business websites
- Recruitment agencies
- Walk-ins
- Headhunting
- Professional associations
- Networking
- Educational/training institutions
- Posters/billboards just outside the business



### A New words

**external recruitment** the process of sourcing potential candidates for certain available posts from outside the business

### The impact of external recruitment

#### Positives/advantages

- New candidates bring new talents/ideas/experiences/skills/knowledge into the business.
- It may help the business to meet affirmative action/EEA and BBBEE targets.
- There is a larger pool of candidates from which to choose.
- There is a better chance of getting suitable candidates with the required skills/qualifications/competencies/experience who do not need much training/development which could reduce costs.
- Minimises unhappiness/conflict amongst current/existing employees who may have applied for the post.
- Overall efficiency/productivity may occur if the new worker actively adds value to the business.

#### AND/OR

#### Negatives/disadvantages

- External sources can be expensive, for example, recruitment agencies' fees/advertisements in newspapers/magazines.
- The selection process may result in an ineffective/incompetent candidate being chosen.
- Information on CVs/referees may not be reliable/may be falsified.
- The recruitment process takes longer/is more time-consuming and expensive as background checks must be conducted.
- New candidates generally take longer to adjust to a new work environment.
- In-service training may be needed, which decreases productivity during the time of training/increases costs of the business.
- Many unsuitable applications may slow down the selection process.

### QR CODE

Advantages and disadvantages of internal and external recruitment



<https://www.youtube.com/watch?v=eWCq77UUWEw>

**Activity 2.1****Classwork/Homework****QUESTION 1: BUSINESS OPERATIONS (RECRUITMENT)**

Businesses realise the importance of recruiting the best employees who will contribute towards the achievement of their goals. It is important that businesses consider both the internal and external recruitment methods in order to achieve their goals.

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

- Elaborate on the meaning of recruitment.
- Explain TWO components of job analysis.
- Discuss the recruitment procedure.
- Advise businesses on the impact of external recruitment on their operations. [40]

## 2.2 Selection

### A New words

**selection** choosing a qualified candidate/applicant for an available post based on the requirements of job analysis

**selection procedure** The process that needs to be followed before appointments are made

### Introduction to selection

In Grade 11 we learned about the selection procedure, the purpose of an interview, the role of the interviewer during the interview, aspects of employment contracts, and legalities of employment contracts. **Selection** involves purposefully choosing the best candidate/applicant for an available post based on the requirements of the job analysis. The application of efficient/correct selection procedures is important because a business should strive to hire the most proficient candidates/applicants for an available post. The incorrect application of the **selection procedure** may result in wasting lots of valuable resources, such as finances and time, and consequently, the business would not reach their organisational objectives.

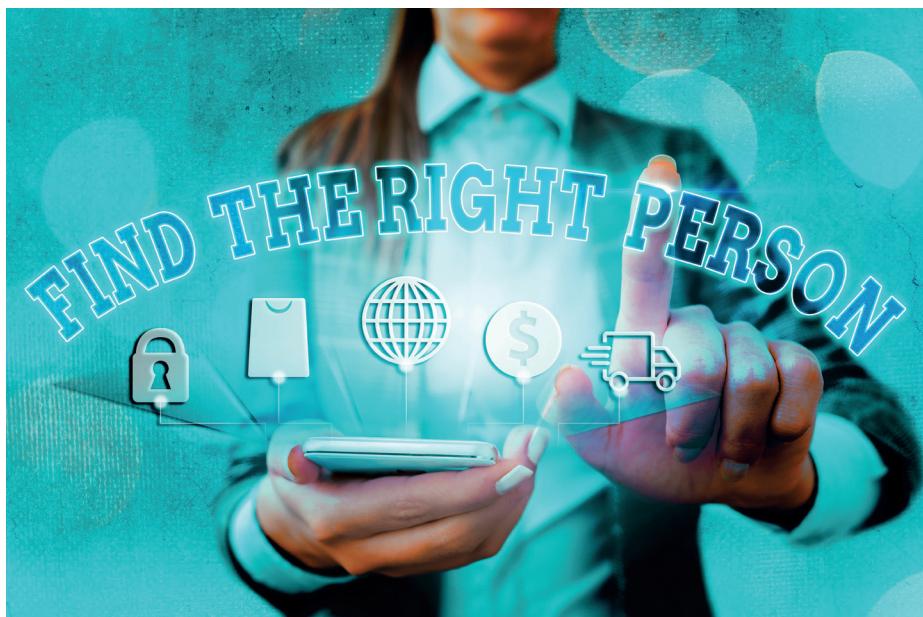


### QR CODE

HR Basics: Selection



<https://www.youtube.com/watch?v=1RTeEPyktKY>



## Selection procedure

### Option 1

- Determine fair assessment criteria on which selection will be based.
- Use the assessment criteria to assess all CVs/application forms received during recruitment./Conduct preliminary screening, which is sorting the applications received according to the criteria for the job.
- Check that applicants are not submitting false documents such as forged certificates/degrees/achievements.
- Make a preliminary list of all applicants who qualify for the post.
- Screen and check references, for example, check applicants' criminal records/credit history/social media, etc.
- Conduct preliminary interviews to identify suitable applicants.
- Inform all applicants about the outcome of the application.
- Compile a shortlist of approximately five candidates.
- Invite the shortlisted applicants/candidates for an interview.
- Shortlisted candidates may be subjected to various types of selection tests, for example, skills tests.
- Once candidates have been selected, a written offer is made to them.

**OR**

### Option 2

- Receive documentation, for example, application forms and sort it according to the criteria of the job.
- Evaluate **CVs** and create a shortlist/screen the applicants.
- Check information in the CVs and contact references.
- Conduct **preliminary interviews** to identify applicants who are not suitable for the job, even though they meet the requirements.
- Assess/test candidates who have applied for senior positions/to ensure that the best candidate is chosen.
- Conduct interviews with shortlisted candidates.
- A written employment offer is made to the selected candidate(s).

#### Tip

Ensure that you master option 2 very well to score the maximum marks in the examination for this section.

#### A New words

**Curriculum Vitae (CV)** a brief summary of the education, qualifications, experience, skills, previous occupations, and special personality traits of an individual that is used when applying for a job

**preliminary interviews** a short form of interviewing potential candidates to determine which candidates meet the specific criteria

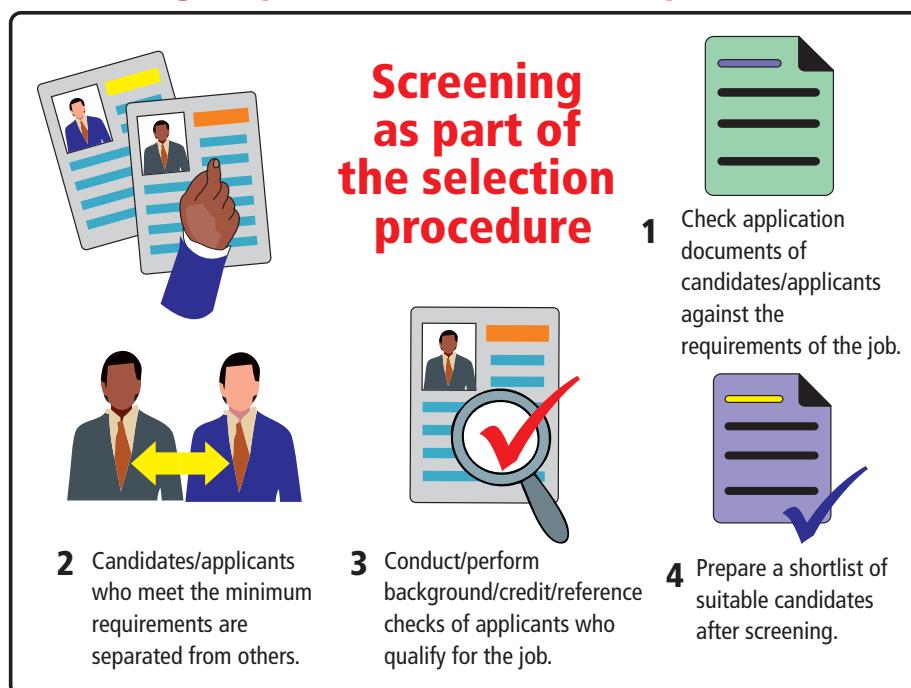
Study the notes on screening as part of the selection procedure in the diagram below.

**Tip**

Ensure that you are able to explain screening as part of the selection procedure.



## Screening as part of the selection procedure

**QR CODE**

Purpose of interview



<https://www.youtube.com/watch?v=mdyg8XOGGYo>

**New words**

**interviewer** the individual/manager responsible for asking questions during the interview/conducting the interview

**interview** a formal meeting where information is exchanged between the interviewer and the interviewee/respondent/applicant

## Purpose of an interview

- Creates an opportunity where information about the business and applicant can be exchanged.
- Gathers information about the strengths and weaknesses of each candidate.
- Determines a candidate's suitability for the job./Determines whether the candidate would add value to the business.
- Helps the employer in choosing/making an informed decision about the most suitable candidate for the job.
- Matches information provided by the applicant to the job requirements.
- Evaluates the skills/personal characteristics/qualities of the applicant.
- Verifies to a certain degree, the accuracy regarding the information presented on the CV.

## The role of the interviewer before and during the interview

### The role of the interviewer before the interview

- The **interviewer** should develop a core set of questions based on the skills/knowledge/abilities/competencies required.
- Check the application/verify the CV of every candidate for anything that may need to be explained.
- Book and prepare the venue for the **interview**.
- Set the interview date./Ensure that all interviews take place on the same date, if possible.

- Inform all shortlisted candidates about the date and place of the interview.
- Notify all panel members conducting the interview about the date and place of the interview.
- Allocate the same amount of time to interview each candidate on the program.

## The role of the interviewer during the interview

- Allocate the same amount of time to each candidate.
- Introduce members of the interviewing panel to each candidate/interviewee.
- Make the interviewee feel at ease.
- Explain the purpose of the interview to the panel and the interviewee.
- Record responses of interviewees for future reference.
- Do not misinform/mislead the interviewee.
- Provide an opportunity for the interviewee to ask questions.
- Close the interview by thanking the interviewee for attending the interview.
- Pose the same set of questions to all candidates/interviewees.

## The role of the interviewee during the interview

- Greet the interviewer by name with a solid handshake and a friendly smile.
- Listen carefully to the questions before responding.
- Make eye contact and have good posture/body language.
- Show confidence and have a positive attitude/be assertive.
- Be inquisitive and show interest in the business.
- Ask clarity-seeking questions.
- Show respect and treat the interview with its due importance.
- Be honest about mistakes and explain how you dealt with them.
- Know your strengths and weaknesses and be prepared to discuss them.
- Thank the interviewer for the opportunity given to be part of the interviews.

## Meaning of an employment contract

An employment contract:

- establishes both the rights and responsibilities of the employer and the employee
- specifies the duties that would be carried out by the employee in exchange for remuneration from the employer.

### Tip

The role of the interviewer is two-fold: "before and during the interview".

### A New words

**interviewee** the applicant/candidate that answers the questions during the interview

### Did you know

Due to COVID-19, it is recommended that individuals do not shake hands during an interview, but may consider elbow bumping as a form of acknowledgement.

### Tip

The interviewee/applicant only has ONE role, which is "during" the interview.

### QR CODE

Role of the interviewee



[https://www.youtube.com/watch?v=u5s\\_3fb20GI](https://www.youtube.com/watch?v=u5s_3fb20GI)

**QR CODE**

Employment Contract Meaning  
And Details



<https://www.youtube.com/watch?v=gYv2EJwbAkc>

**Tip**

Ensure that you do not confuse the contents of an employment contract with the legalities of an employment contract.

**Details/aspects/contents of an employment contract**

The following details should form part of an employment contract:

- personal details of the employee
- details of the business/employer, for example, name/address, etc.
- job title/position
- job description, for example, duties/working conditions/responsibilities
- job specification, for example, formal qualifications/experience/willingness to travel
- date of employment/commencement of employment
- place where the employee will spend most of his/her working time/conduct work activities
- hours of work, for example, normal time/overtime
- remuneration, for example, weekly/biweekly/fortnightly/monthly pay
- benefits/fringe benefits/perks/allowances
- leave, for example, sick/maternity/annual/adoption leave/family responsibility leave
- employee deductions (compulsory/non-compulsory)
- period of contract/details of termination
- probation period
- signatures of both the employer and employee
- list of documents that form part of the contract, for example, appointment letter/code of conduct/ethics
- disciplinary policy, for example, rules and disciplinary procedure for unacceptable behaviour.

**A New words**

**unilaterally** actions performed by one party without the agreement of the other party

**Legal requirements/legalities of an employment contract**

- An employment contract is an agreement between the employer and the new employee, and is legally binding.
- The employer and employee must agree to any changes to the contract.
- Aspects of the employment contract can be renegotiated during employment.
- No party may **unilaterally** change aspects of the employment contract.
- The employer and the new employee must both sign the contract.
- The employment contract should include a code of conduct and a code of ethics.
- It may not contain any requirements that conflict/does not comply with the BCEA.
- Conditions of employment/duties/responsibilities/roles of the employees must be stipulated clearly.
- The remuneration package/including benefits must be clearly indicated.

## Analysis of an employment contract from a given scenario and advice for improvement

### Exemplar activity on the legal requirements of employment contracts

#### QUESTION 1

1.1 Read the scenario below and answer the question that follows.

#### LEWIS LOGISTICS (LL)

Lewis Logistics specified in Damian's employment contract that he will not be paid overtime for working on a Sunday. The manager did not explain the terms and conditions of the employment contract to Damian. LL made changes to the employment contract unilaterally. The code of conduct was not included in the employment contract. Damian is unaware of the salary that he will earn.

Use the table below as a GUIDE to answer QUESTION 1.1.1 - 1.1.2.

LEGAL REQUIREMENTS QUOTED FROM THE SCENARIO (1.1.1)		LEGAL REQUIREMENTS ACCORDING TO THE EMPLOYMENT CONTRACT (1.1.2)
1.		
2.		
3.		
4.		
5.		

- 1.1.1 Quote FIVE ways in which Damian's employment contract does not meet the legal requirements of an employment contract. (5)  
 1.1.2 Advise the management of LL on the legal requirements of an employment contract based on QUESTION 1.1.1. (10)  
 [15]

#### SUGGESTED ANSWER

LEGAL REQUIREMENTS QUOTED FROM THE SCENARIO (1.1.1)		LEGAL REQUIREMENTS ACCORDING TO THE EMPLOYMENT CONTRACT (1.1.2)
(1)	Lewis Logistics specified in Damian's employment contract that he will not be paid overtime for working on a Sunday. ✓	The employment contract should be in line with the BCEA./Damian must be paid overtime for working on a Sunday. ✓✓
(2)	The manager did not explain the terms and conditions of the employment contract to Damian. ✓	The manager/LL should explain the terms and conditions of the employment contract to the employee. ✓✓
(3)	LL made changes to the employment contract unilaterally. ✓	Both parties must agree to changes made to the contract./LL cannot/should not unilaterally make changes to the employment contract. ✓✓
(4)	The code of conduct was not included in the employment contract. ✓	The contract should include a code of ethics. ✓✓
(5)	Damian is unaware of the salary that he will earn. ✓	The remuneration package and benefits must be indicated in the contract. ✓✓
Submax (5)		Submax (10)

(15)

Study the notes on the reasons for the termination of an employment contract in the diagram below.

## Reasons for the termination of an employment contract



### QR CODE

Reasons for termination of contracts



<https://www.youtube.com/watch?v=jCdW5xOKTYQ>

### Activity 2.2

### Homework/Classwork

#### QUESTION 1

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

#### RAJESH MOODLEY NETWORKING (RMN)

Rajesh Moodley Networking informed Tamia timeously that the interview process is a vital component of the selection procedure. Tamia listened carefully to questions before responding during the interview. Tamia also demonstrated confidence during the interview.

- 1.1.1 Quote TWO roles of Tamia as an interviewee during the interview from the scenario above. (2)
- 1.1.2 Outline THREE other roles of Tamia as an interviewee during the interview. (6)
- 1.1.3 Explain the purpose of an interview. (6)
- 1.1.4 Discuss the selection procedure as a human resources activity. (6)

[20]

## 2.3 Induction

### Introduction to induction

In Grade 11 we learned about the meaning and purpose of induction. Induction is the process of introducing new employees to the way in which the business conducts activities, including its policies/programmes etc. Businesses prepare the induction programme before induction takes place. Businesses must therefore prioritise that induction is conducted with new employees before they commence workplace duties. Employees that are properly inducted, quickly understand the business culture and expectations.



#### QR CODE

Induction



<https://www.youtube.com/watch?v=WS-Ffwkrm0U>

#### QR CODE

Meaning of induction



<https://www.youtube.com/watch?v=f9m-w3B731o>

#### QR CODE

The purpose/importance of induction



<https://www.youtube.com/watch?v=jnVioQM9PUE>

### The meaning of induction

- Induction is the process of introducing new employees to a business/work environment/organisation.
- New employees become familiar with their new physical work environment/ organisational culture/products and services.
- Information regarding the processes/procedures/methods of the business is communicated to new employees.
- The job expectations/roles/responsibilities are explained to new employees.

### The purpose of induction

- Introduces new employees to management/colleagues to establish professional relationships with colleagues at different levels.
- Provides new employees with a tour/information about the layout of the building/office.
- Familiarises new employees with the organisational structure/their supervisors/direct managers.
- Creates opportunities for new employees to experience/explore different departments.
- Explains safety regulations/rules so that new employees will understand their roles/responsibilities in this regard.
- Communicates information about the products/services offered by the business.
- Ensures that employees understand their roles/responsibilities so that they will be more efficient/productive.
- Communicates business policies regarding ethical/professional conduct/ procedures/employment contract/conditions of employment, etc.

## Aspects that must be included in the induction programme

- Safety regulations and rules
- Overview of the business
- Tour of the premises/business
- Information about the business products/services
- Meeting with senior management who will explain the company's vision/mission/values/job analysis/daily tasks
- Introduction to key people and immediate colleagues
- Conditions of employment, for example, working hours/leave application process/perks/disciplinary procedures, etc.
- Discussion of the employment contract and conditions of service
- Discussion of personnel policies, for example, making private phone calls/using the Internet, etc.

## Benefits/advantages of induction for businesses

- New employees who are familiar with the business's policies/procedures may easily adapt to their new work environment.
- New employees learn more about the business and understand their role in the business/expectations of the job.
- Increased productivity/efficiency and quality of service/performance.
- Minimises the need for ongoing training and development.
- Improved/Better focused training may be provided based on the results obtained from the induction process.
- New employees may feel part of the team resulting in positive morale/motivation.
- Reduces staff turnover as new employees have been inducted properly.

### Activity 2.3 Classwork/Homework

#### QUESTION 1

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

#### TIMBER TRADERS (TT)

Timber Traders is experiencing a significant reduction in the staff turnover rate as new employees have received proper induction. This has resulted in increased productivity and efficiency in the workplace. TT must ensure that the correct aspects are included in their induction programme.

**1.1.1** Elaborate on the meaning of induction. (4)

**1.1.2** Quote TWO benefits of induction for TT from the scenario above. (2)

**1.1.3** Outline THREE other benefits of induction for TT as a business. (6)

**1.1.4** Advise the management of TT on any FOUR aspects that must be included in the induction programme. (8)

[20]

## 2.4 Placement

### Introduction to placement

In Grade 11 we learned about the meaning of placement and the placement procedure. Placement aims to position/place the selected candidates where they would optimally contribute to the business, and is based on specific details of the job analysis. The correct application of the placement procedure will improve happiness/loyalty/morale and reduce absenteeism/employee turnover rates. An employee that is well placed will be an asset to the business because the placement effectively matches the job analysis.



#### QR CODE

Placement



[https://www.youtube.com/watch?v=aTn5999\\_xUk](https://www.youtube.com/watch?v=aTn5999_xUk)

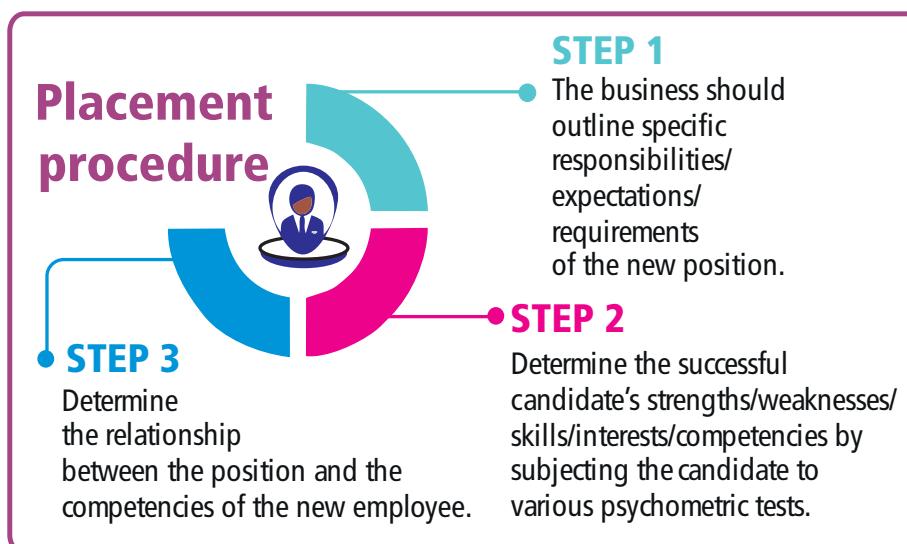
### The meaning of placement

- Selected candidates are placed/positioned where they will function optimally and add value to the business.
- A specific job is assigned to the selected candidate.
- The qualifications/skills/personality of the selected candidate are matched with the requirements of the job.

### Placement procedure

- The business should outline specific responsibilities/expectations/requirements of the new position.
- Determine the successful candidate's strengths/weaknesses/skills/interests/competencies by subjecting the candidate to various psychometric tests.
- Determines the relationship between the position and the competencies of the new employee.

The following diagram can be used to study the steps in the placement procedure.



#### Take note

The placement procedure takes place after the selection procedure with the successful candidate who will now become a 'new employee'.

## The importance of training/skills development in human resources

Training is a planned/purposefully organised activity where employees gain knowledge and skills that can improve the abilities of their job. The human resource function should ensure that all training programmes are aligned to the framework of the SDA to develop the skills of the employees.



### QR CODE

The importance of training/skills development in human resources



<https://www.youtube.com/watch?v=o-MtSv9A2DQ>

- An employee who receives the necessary training can perform in their job/improve performance in their job./Employees are more knowledgeable and can perform tasks more efficiently.
- The investment in training that a business makes shows employees that they are valued/appreciated.
- An effective training program allows employees to strengthen/improve/enhance their skills.
- Productivity usually increases when the human resources function implements training courses.
- Overall profitability of the business will improve because of effective/regular training.
- Ongoing training and upskilling of the workforce encourages creativity.
- Contributes positively towards the aims/compliance of the SDA.

### Activity 2.4

### Classwork/Homework

#### QUESTION 1

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

#### BUKIWE BUKANI TECHNOLOGIES (BBT)

The placement procedure has been applied at Bukiwe Bukani Technologies after a successful induction programme. BBT has invested in training to show employees that they are valued. An effective training programme exists at BBT for employees to enhance their current skills.

**1.1.1** Quote TWO ways in which the importance of training in human resources is displayed at BBT. (2)

**1.1.2** Outline other ways in which the importance of training in human resources could be displayed at BBT. (6)

**1.1.3** Discuss the placement procedure as a human resources activity. (6)

[14]

## 2.5 Salary determination

### Introduction to salary determination

In Grade 11 we learned about piecemeal and time-related salary determination methods. Different methods exist that are used by employers to determine the salary of employees. The type of salary determination method used/applied by the business depends on the nature/type of jobs that are required. The business should ensure that they are knowledgeable regarding the link between salary determination and the BCEA.

### Differences between piecemeal and time-related salary determination methods

Piecemeal	Time-related
<ul style="list-style-type: none"> <li>Workers are paid according to the number of items/units produced/actions performed.</li> </ul>	<ul style="list-style-type: none"> <li>Workers are paid for the amount of time they spend at work/on a task.</li> </ul>
<ul style="list-style-type: none"> <li>Workers are not remunerated for the number of hours worked, regardless of how long it takes them to make the items.</li> </ul>	<ul style="list-style-type: none"> <li>Workers with the same experience/qualifications are paid on salary scales regardless of the amount of work done.</li> </ul>
<ul style="list-style-type: none"> <li>Mostly used in factories – particularly in the textile/technology industries.</li> </ul>	<ul style="list-style-type: none"> <li>Many private and public sector businesses use this method.</li> </ul>

### The link between salary determination and the Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)

- The BCEA sets out conditions that ensure fair labour and human resources practices take place within the business.
- According to the BCEA, businesses may use different remuneration methods to pay their employees.
- Payment of salaries should be based on whether the employee is permanent or employed on a fixed contract.
- Businesses should deduct income tax (PAYE) and other salary deductions from the employees' taxable salaries.
- The BCEA outlines legalities of the employment contract, such as work hours/overtime, which may affect salary determination.
- The BCEA also regulates the minimum wage rates per sector and the business must therefore ensure that remuneration reflected in the employment contract is not below the **minimum wages**.

#### QR CODE

Salary determination methods



<https://www.youtube.com/watch?v=bk9gVJ9PKGY>

#### A New words

**minimum wages** the lowest wage level permitted by law

● ● | Activity 2.5 Classwork/Homework
**QUESTION 1**

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

**EASTVILLE PHARMACY (EP)**

Okuhle and Junaid are both employed at Eastville Pharmacy. Okuhle is remunerated according to the number of health plans sold. Junaid the cashier, is paid for the number of hours he spends at work. The remuneration paid to both Okuhle and Junaid is in line with the Basic Conditions of Employment Act (BCEA) (No. 75 of 1997).

**1.1.1** Identify TWO salary determination methods that EP used to pay Okuhle and Junaid. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

EMPLOYEE	METHODS OF SALARY DETERMINATION	MOTIVATIONS
Okuhle		
Junaid		

(6)

**1.1.2** Discuss the link between salary determination and the BCEA.

(6)

[12]


**A New words**

**fringe benefits** fringe benefits are benefits provided by the business to employees in addition to their salaries.

## 2.6 Fringe benefits

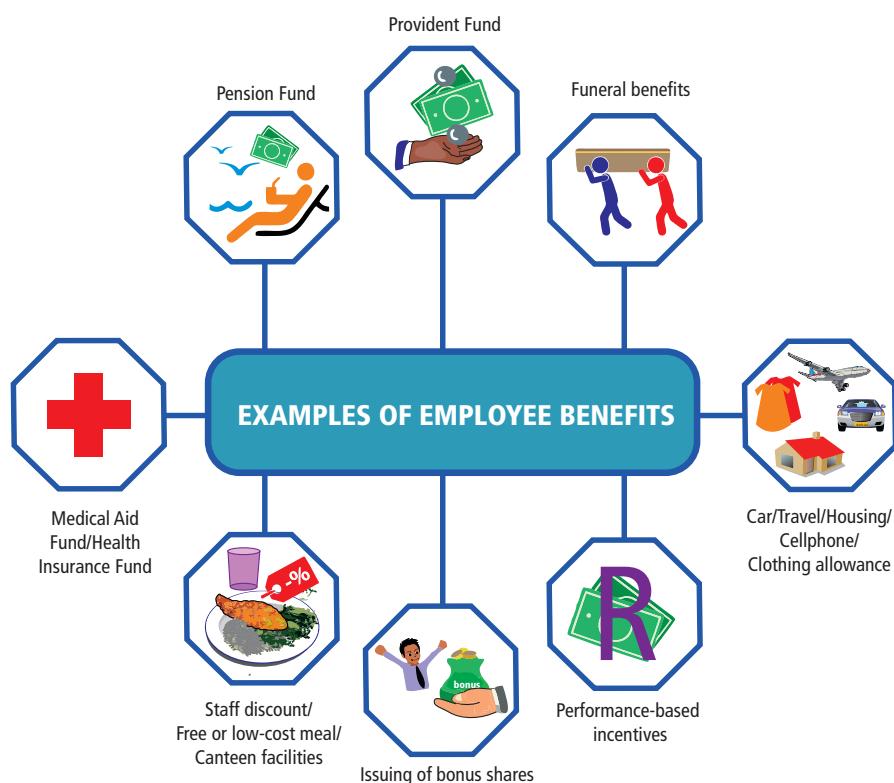
### Introduction to fringe benefits

In Grade 11 we learned about the different types of employee benefits.

**Fringe benefits** are benefits provided by the business to employees in addition to their salaries. Some employers may decide to provide fringe benefits universally to all employees or provide different/additional fringe benefits to executive management. The business has different reasons for providing employees with fringe benefits, which include amongst others, compensating employees for costs related to their work and improving overall job satisfaction.

### Examples of employee benefits

- Medical Aid Fund/Health Insurance Fund
- Pension Fund
- Provident Fund
- Funeral benefits
- Car/Travel/Housing/Cellphone/Clothing allowance
- Performance-based incentives
- Issuing of bonus shares
- Staff discount/Free or low-cost meal/Canteen facilities



## The impact of fringe benefits on businesses

### Positives/advantages

- Attractive fringe benefit packages may result in higher employee retention/reduces employee turnover/low attrition rates.
- Attracts/Retains qualified/skilled/experienced employees who may positively contribute towards the business goals/objectives.
- Increases employee job satisfaction/loyalty/morale as employees may be willing to go the extra mile.
- Improves productivity resulting in higher profitability.
- Businesses save money as benefits are tax-deductible.
- Fringe benefits can be used as leverage for salary negotiations.

AND/OR

### Negatives/disadvantages

- Fringe benefits are additional costs that may result in cash flow problems for the business.
- Administrative costs increase as benefits need to be correctly recorded for tax purposes.
- Decreases business profits because incentive/package/remuneration costs are higher.
- Creates conflict/leads to corruption if fringe benefits are allocated unfairly.
- Workers only stay with the business for fringe benefits and may not be committed/loyal to the tasks/business.

### QR CODE

Fringe benefits



<https://www.youtube.com/watch?v=qfJ8koEhYw8>

- Businesses that offer employees different benefit plans may create resentment to those who receive fewer benefits and this could result in lower productivity.
- Businesses that cannot offer fringe benefits fail to attract skilled workers.
- Businesses have to pay advisors/attorneys to help them create benefit plans that comply with the law.

## Unemployment Insurance Fund (UIF) as a benefit required by law/compulsory benefit

- UIF offers short-term financial assistance to workers when they become unemployed or are unable to work due to illness/maternity/adoption leave.
- UIF assists the dependants of a contributing worker who has died.
- By law, employees are required to contribute 1% of their basic salary towards UIF.
- Employers are also required to contribute 1% of an employee's basic salary towards UIF.
- Employers pay the 2% directly to the UIF on behalf of the employees.
- Contributions are paid to the Unemployment Insurance Fund (UIF) or the South African Revenue Services (SARS).



**labour**

Department:  
Labour  
**REPUBLIC OF SOUTH AFRICA**



*South African Revenue Service*

### • 8 | Activity 2.6 Homework/Classwork

#### QUESTION 1

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

#### MAGDALENA KROMBIE ATTORNEYS (MKA)

Magdalena Krombie Attorneys is experiencing cash flow problems due to high expenditure costs incurred on fringe benefits. This has caused conflict because of the corruption associated with the unfair allocation of fringe benefits. The law requires MKA to contribute towards the Unemployment Insurance Fund (UIF).

- 1.1.1** List FOUR examples of employee benefits other than UIF. (4)
- 1.1.2** Quote TWO disadvantages of fringe benefits for MKA from the scenario above. (2)
- 1.1.3** Explain other disadvantages of fringe benefits for MKA as a business. (6)
- 1.1.4** Discuss the Unemployment Insurance Fund (UIF) as a benefit required by law. (8)

[20]

## **2.7 The implications of the legislation on the human resources function**

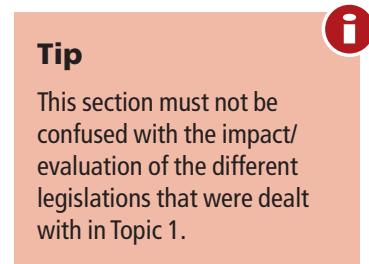
# Introduction to the implications of the legislation on the human resources function

In Grade 11 we learned about the implication of the LRA, BCEA, EEA, and COIDA on the human resources function. The various legislation in South Africa have a direct implication on the human resources function. Human resources managers have to be continually trained in order to keep abreast of current/new legislations/labour legislation that may influence operations within the human resources function. The business employs human resources managers and legal experts with sound knowledge/experience of legislation.



# The implication of the Labour Relations Act (LRA) (No. 66 of 1995) on the human resources function

- Allows for the establishment of trade unions/collective bargaining/bargaining councils, which may directly influence operations within human resources/the business.
  - Employees cannot be easily dismissed as bargaining council/CCMA processes need to be correctly followed.
  - Provides a framework for bilateral meetings/collective bargaining/bargaining councils where employees, trade unions, and employers discuss matters relating to employment.
  - Promotes orderly negotiations and employee participation in decision-making in the workplace.
  - Protects the rights of employees/employers as outlined in the Constitution.
  - Advances economic development/social justice/labour peace.

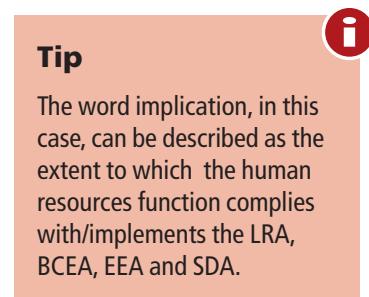


### Tip

This section must not be confused with the impact/evaluation of the different legislations that were dealt with in Topic 1.

# The implication of the Labour Relations Act (LRA) (No. 66 of 1995) on the human resources function

- Allows for the establishment of trade unions/collective bargaining/bargaining councils, which may directly influence operations within human resources/the business.
  - Employees cannot be easily dismissed as bargaining council/CCMA processes need to be correctly followed.
  - Provides a framework for bilateral meetings/collective bargaining/bargaining councils where employees, trade unions, and employers discuss matters relating to employment.
  - Promotes orderly negotiations and employee participation in decision-making in the workplace.
  - Protects the rights of employees/employers as outlined in the Constitution.
  - Advances economic development/social justice/labour peace.



Tip

The word implication, in this case, can be described as the extent to which the human resources function complies with/implements the LRA, BCEA, EEA and SDA.

## **The implication of the Basic Conditions of Employment Act (BCEA) (No. 75 of 1997) on the human resources function**

- Ensures that business practices such as basic conditions of employment within the workplace do not contravene/violate the provisions of the BCEA.
- The HRM must ensure that all employee contracts are aligned to the provisions of the BCEA.
- Ensures that employees only work 9 hours per day in a 5-day work week/8 hours per day in a 6-day work week.
- Ensures that employees are correctly remunerated for overtime/Overtime should not exceed 10 hours per week.
- Ensures that employees have a 60-minute break after five hours of work.
- Ensures that employees are entitled to take six weeks of paid sick leave during a 36-month cycle.
- Ensures that employees receive double their rate if they work on public holidays/Sundays.
- Ensures that the business does not participate in child labour practices/does not employ children under the age of 16.

## **The implication of the Employment Equity Act (EEA) (No. 55 of 1998) on the human resources function**

- The HRM must promote/provide equal opportunities/promote equality in the workplace.
- The HRM must report to the Department of Labour on the progress regarding the implementation of the employment equity plan.
- Compile employment equity plans that indicate how they will implement affirmative action. /Ensures that the human resources function promotes affirmative action/establishes/achieves employment equity plans.
- Assign a manager to ensure that the employment equity plan will be implemented/regularly monitored.
- Ensure that affirmative action promotes diversity in the workplace.

## **The implication of the Skills Development Act (SDA) (No. 97 of 1998) on the human resources function**

- The human resources function/HRM should interpret the aims and requirements of the SDA and adapt workplace skills training programmes accordingly./Training conducted by the business/HRM should be aligned to the SDA.
- Identify the training needs of the employees and provide them with training opportunities so that they will perform their tasks efficiently.
- Use the NQF to assess the skills levels of employees.
- Interpret/Implement the aims/requirements of the framework for the NSDS.

- Assist managers in identifying skills/training needs to help them to introduce/promote learnerships.
- The business should contribute 1% of its salary bill to the SDL.
- Ensure training in the workplace is formalised/structured.
- Appoint a full/part-time consultant as a Skills Development Facilitator (SDF).

**Activity 2.7**

**QUESTION 1**

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

**KOPANO MEDIA (KM)**

Kopano Media takes pride in promoting affirmative action in the business. Their employees are entitled to six weeks sick leave during a three-year cycle. The management of KM allows their employees to participate in decision making.

- 1.1.1** Identify THREE legislations that have an implication on the human resources function of KM. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

LEGISLATIONS	MOTIVATIONS
1.	
2.	
3.	

(9)

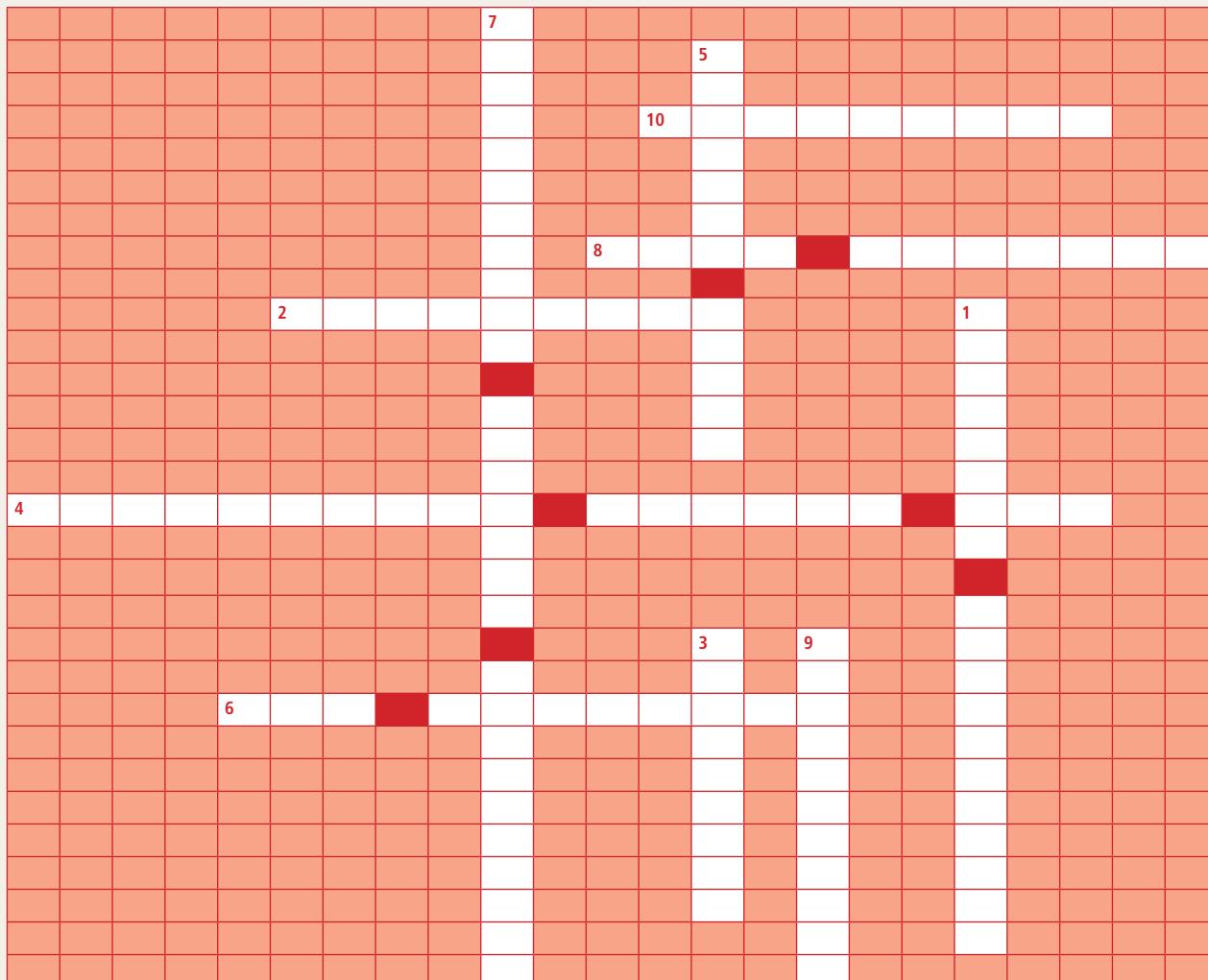
- 1.1.2** Discuss the implication of the Skills Development Act (SDA), 1998 (Act 97 of 1998) on the human resources function of KM.

(8)

[17]

**Consolidation****QUESTION 1: CROSSWORD PUZZLE 1**

Complete the crossword puzzle by using the clues below.



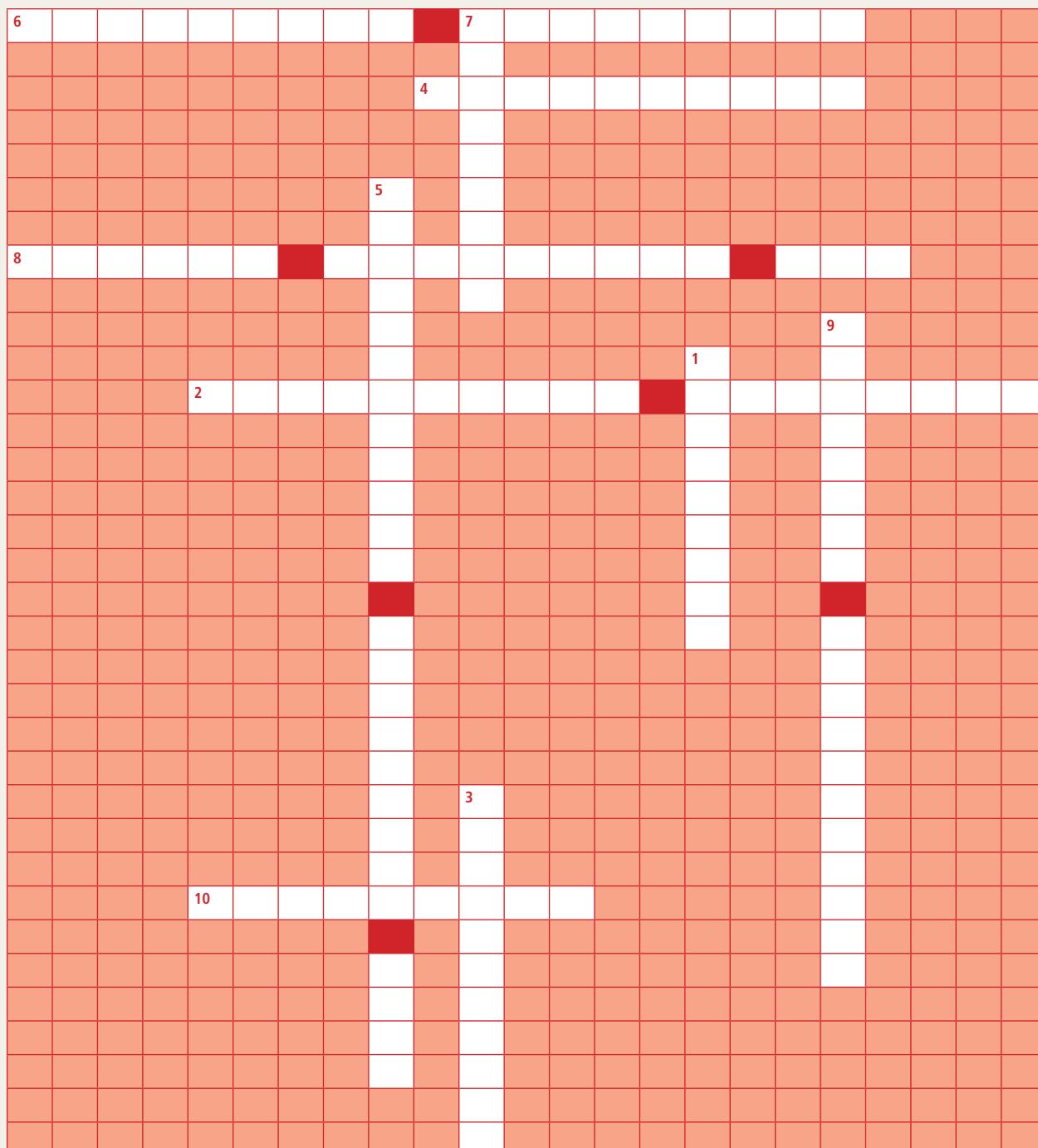
DOWN		ACROSS	
1	The process of sourcing potential candidates for certain available posts from outside the business.	2	This important human resources activity aims to create an opportunity where information about the business and the applicant can be exchanged.
3	The contract of the employee is terminated because of unsatisfactory job performance.	4	The human resources function must ensure that it correctly implements an employment equity plan as a result of the implication of this legislation.
5	The lowest wage level permitted by law.	6	This component within the human resources function consists of the job description and job specification.
7	A short form of interviewing potential candidates to determine which candidates meet the specific criteria.	8	Workers are paid for the number of hours worked.
9	Employees decided to voluntarily leave the business for better job opportunities.	10	The process of introducing new employees to the work environment.

(10 × 2) (20)

### Consolidation

#### QUESTION 2: CROSSWORD PUZZLE 2

Complete the crossword puzzle by using the clues on page 72.



**Consolidation**

DOWN	ACROSS
1 This part of the selection procedure requires the human resources manager to check the application documents of applicants against the requirements of the job.	2 A legally binding agreement between the employer and the employee.
3 The candidate who answers the questions during the interview.	4 This method of terminating a contract occurs when the employer may no longer have work for unnecessary and unrequired employees in certain departments.
5 This compulsory benefit must be provided to employees as it is required by law.	6 The process that needs to be followed before appointments are made.
7 Employees are remunerated for the number of units that they have produced.	8 This legislation has the implication on the human resources function that trade unions and bargaining councils may be established.
9 A disadvantage of this type of recruitment is that existing employees may not contribute new ideas to the business.	10 The selected candidates are positioned where they would add the optimal contribution to the business based upon specific details of the job analysis.

(10 × 2) (20)

**QUESTION 3**

**3.1** 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 (3.1.1 to 3.1.5) in your notebook for example, 3.1.5 D.

**3.1.1** Singama Sweet Manufacturers used...as a source of internal recruitment for a vacant post.

- A recruitment agencies
- B networking
- C electronic media
- D management referrals

**3.1.2** The...has an implication on the human resources function because it provides a framework for bilateral meetings.

- A Labour Relations Act (LRA) (No. 66 of 1995)
- B Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)
- C Employment Equity Act (EEA) (No. 55 of 1998)
- D Skills Development Act (SDA) (No. 97 of 1998)

**3.1.3** Induction is important at Cohen Developers (CD) because it ensures that...

- A existing employees receive a tour of the layout of the building.
- B all employees acquire ongoing training.
- C new employees are familiarised with the organisational structure of CD.
- D financing on training has been inefficiently spent on new employees.

**Consolidation**

**3.1.4** Astrid's employment contract was terminated due to...when she decided to leave the business voluntarily because of better job prospects.

- A retirement
- B restructuring
- C resignation
- D retrenchment

**3.1.5** During the selection procedure Faeez Fish Farmers...

- A prepared a job analysis.
- B compiled a preliminary list of qualified applicants.
- C explained the requirements of the new position to the candidate.
- D placed an advertisement in the newspaper for the available post.

(5 × 2) (10)

**3.2** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question number (3.2.1 - 3.2.5) in your notebook for example, 3.2.1 J.

COLUMN A		COLUMN B	
<b>3.2.1</b>	Job analysis	<b>A</b>	employees with the same experience are paid on salary scales regardless of the amount of work done
<b>3.2.2</b>	Employment contract	<b>B</b>	businesses can choose whether to provide this benefit to employees
<b>3.2.3</b>	Placement	<b>C</b>	employees are remunerated for every item that they produce
<b>3.2.4</b>	Unemployment Insurance Fund	<b>D</b>	candidates are positioned where they would function optimally
<b>3.2.5</b>	Time-related	<b>E</b>	a compulsory benefit that is required by law
		<b>F</b>	a document only signed by the employee
		<b>G</b>	analyses the role of the human resources manager
		<b>H</b>	a signed legally binding agreement between the employer and employee
		<b>I</b>	comprises of a job description and a job specification
		<b>J</b>	choosing a qualified candidate for an available post

(5 × 2) (10)  
[20]

## Consolidation

### QUESTION 4

4.1 List TWO aspects that should be included in an employment contract. (2)

4.2 Identify the legislation that has an implication on the human resources function of Jordan Financing Services (JFS) in EACH statement below.

4.2.1 Training conducted by the human resources manager of JFS must be aligned to this legislation.

4.2.2 Employee rights are protected through this legislation as outlined in the Constitution.

4.2.3 The human resources manager of JFS must compile employment equity plans.

4.2.4 This legislation ensures that JFS does not participate in child labour. (4 × 2 = 8)

4.3 Elaborate on the meaning of recruitment. (4)

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

#### LUMKELA MPONGO LOGISTICS (LML)

The selection procedure was applied by Lumkela Mpongo Logistics. The business received documentation such as the application forms. In the process, LML conducted interviews with short-listed candidates.

4.4.1 Quote TWO steps of the selection procedure applied by LML from the scenario above. (2)

4.4.2 Outline three other steps of the selection procedure that could be applied by LML. (6)

4.4.3 Explain the meaning of screening as part of the selection procedure. (6)

4.5 Differentiate between the TWO salary determination methods. (6)

4.6 Evaluate the impact of fringe benefits on businesses. (6)

[40]

### QUESTION 5

5.1 Name FOUR sources of external recruitment. (4)

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

#### JASON RAY LANDSCAPING (JRL)

The human resources manager is devising the induction programme of Jason Ray Landscaping. The induction programme includes safety rules and regulations. Information about the services has also been included. An overview of the JRL will be provided.

5.2.1 Quote THREE aspects included in the induction programme of JRL from the scenario above. (3)

5.2.2 Outline TWO other aspects that must be included in the induction programme of JRL. (4)

5.2.3 Explain the purpose of induction for JRL. (4)

5.3 Outline the placement procedure as a human resources activity. (4)

**Consolidation**

- 5.4** Read the scenario below and answer the questions that follow.

**SALAMA INDUSTRIES (SI)**

Liyema's contract was terminated as he reached a predetermined age. The period of Maria's contract has expired. Salama Industries no longer has work for Rodger as he has a duplicate role in the administration department.

- 5.4.1** Identify THREE reasons for the termination of the employment contracts at SI. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 5.4.1.

<b>REASONS FOR THE TERMINATION OF EMPLOYMENT CONTRACTS</b>		<b>MOTIVATIONS</b>
1.		
2.		
3.		

(9)

- 5.4.2** Discuss the legal requirements of an employment contract.

(6)

- 5.5** Advise businesses on the selection procedure as a human resources activity.

(6)

[40]

**QUESTION 6**

- 6.1** List any THREE examples of fringe benefits.

(3)

- 6.2** Distinguish between the TWO components of job analysis.

(6)

- 6.3** Read the scenario below and answer the questions that follow.

**DIEKETSENG KALAHARI TOURS (DKT)**

Dieketseng Kalahari Tours approached a recruitment agency to fill the vacant post of a marketing director. The business has three months to fill this position.

- 6.3.1** Identify the method of recruitment applied by DKT. Motivate your answer by quoting from the scenario above.

(3)

- 6.3.2** Evaluate the impact of the method of recruitment identified in QUESTION 6.3.1 on DKT as a business.

(6)

- 6.4** Discuss the implication of the Employment Equity Act (EEA) (No. 55 of 1998) on the human resources function.

(6)

## Consolidation

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

### AMY EKSTEEN DISTRIBUTORS (AED)

The CEO of Amy Eksteen Distributors has booked and prepared the venue for the interview. The panel members have been notified about the date and time of the interview. The same amount of time has been allocated to all interviewees during the interview.

**6.5.1** Quote TWO roles of Amy Eksteen as the interviewer from the scenario above. (2)

**6.5.2** Outline TWO other roles of Amy Eksteen as the interviewer before the interview took place. (4)

**6.5.3** Explain the purpose of an interview. (4)

**6.5.4** Discuss the role of the interviewee during the interview. (6)

[40]

## QUESTION 7: BUSINESS OPERATIONS (HUMAN RESOURCES FUNCTION)

Salary determination methods enable businesses to remunerate their employees fairly. Many businesses offer fringe benefits to their employees in addition to their salaries. Businesses implement the Basic Conditions of Employment Act (BCEA), (No. 66 of 1995) as a guideline on how employees should be remunerated.

Write an essay on the human resource function in which you include the following aspects:

- Distinguish between TWO salary determination methods.
- Explain the impact of fringe benefits on businesses.
- Discuss the link between salary determination and the BCEA.
- Advise businesses on the implication of the BCEA on the human resources function.

[40]

## QUESTION 8: BUSINESS OPERATIONS (HUMAN RESOURCES ACTIVITIES)

Sustainable businesses follow the correct recruitment procedure and interview processes. Businesses also enjoy the benefits of inducting the newly appointed employees. The human resources (HR) manager must ensure that employees are trained continuously so that they keep abreast with the latest development in the business world.

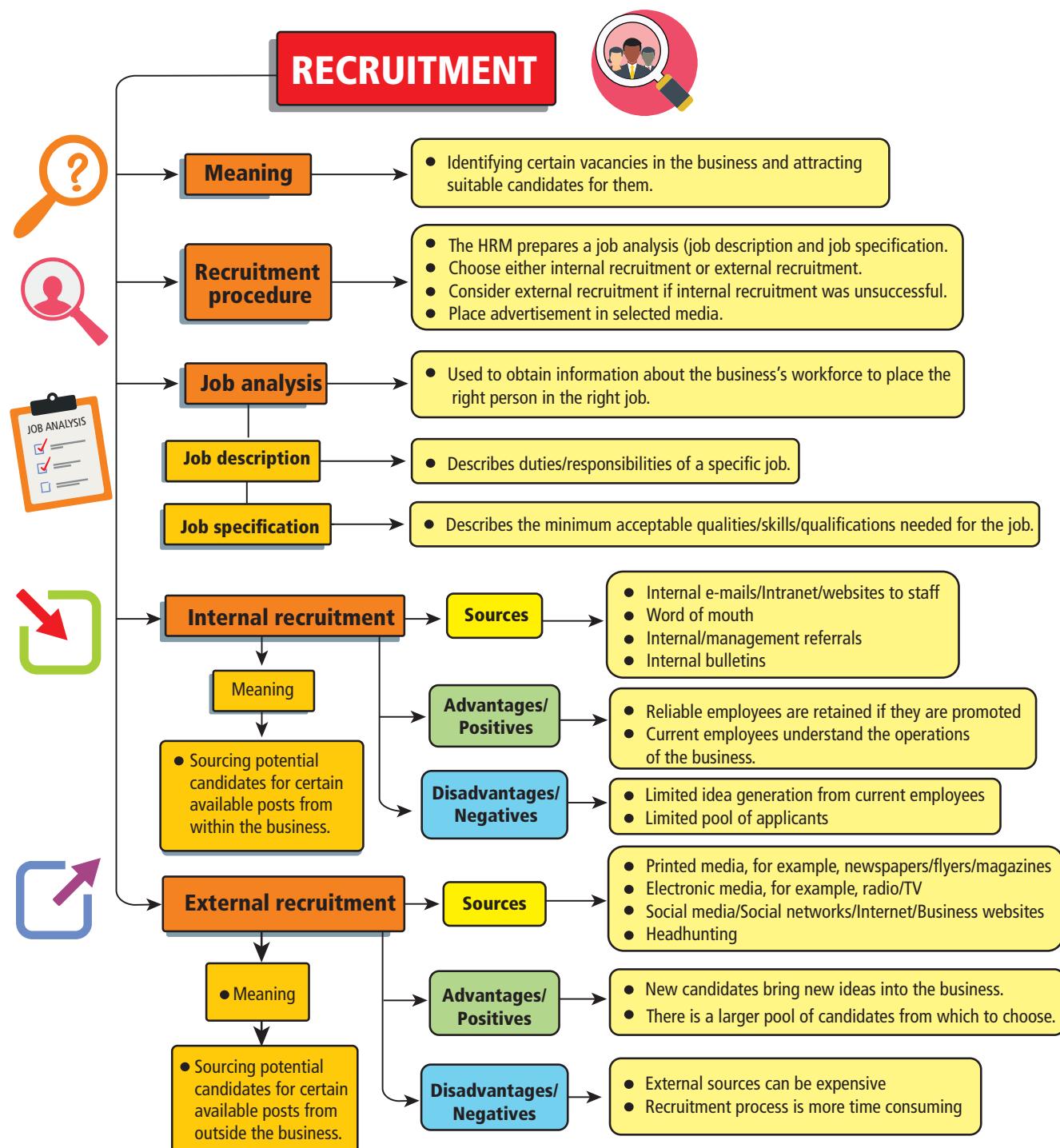
Write an essay on human resource activities in which you include the following aspects:

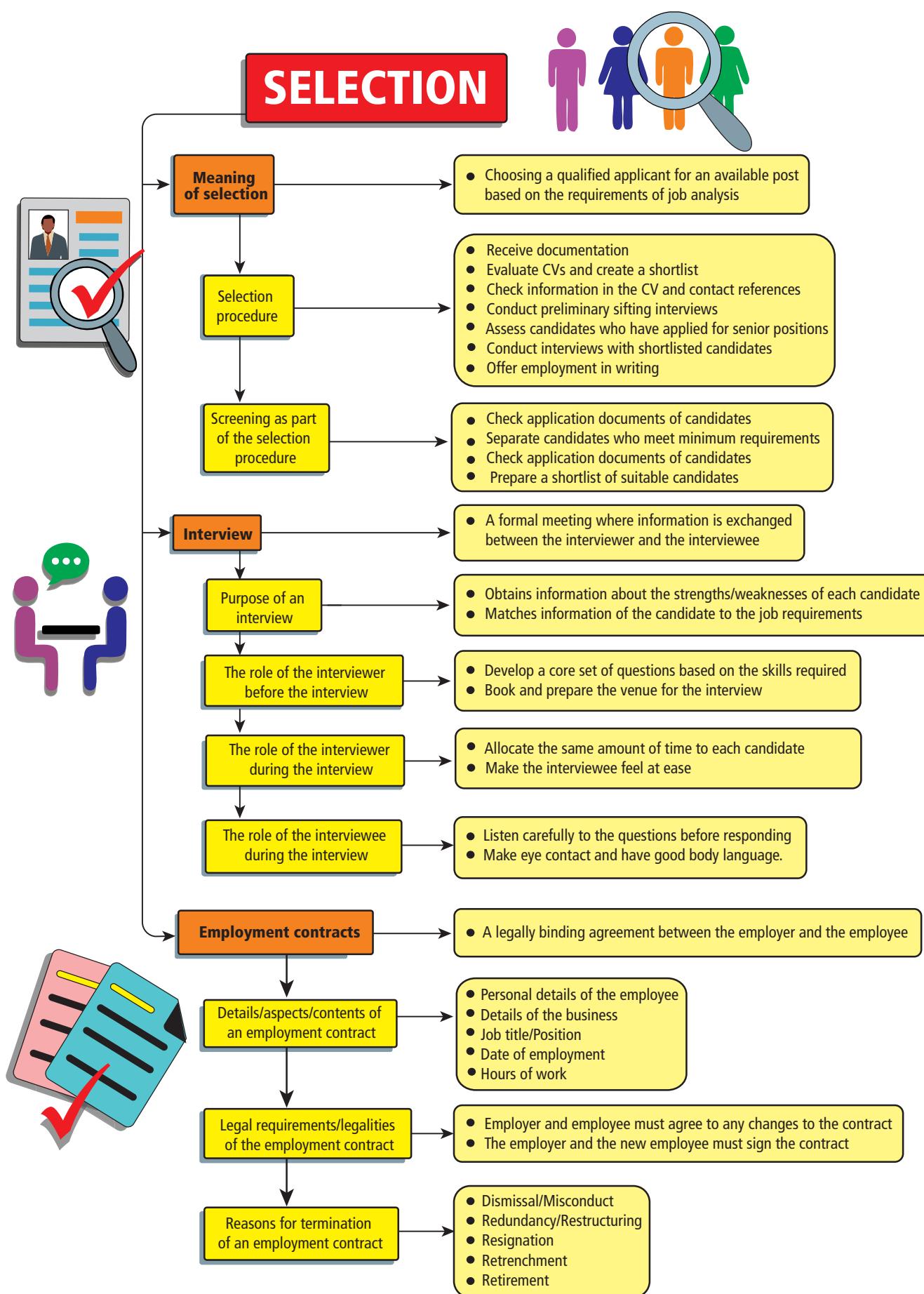
- Outline the recruitment procedure as a human resources activity.
- Explain the purpose of the interview.
- Discuss the benefits of induction for businesses.
- Advise the HR manager on the importance of training in the workplace.

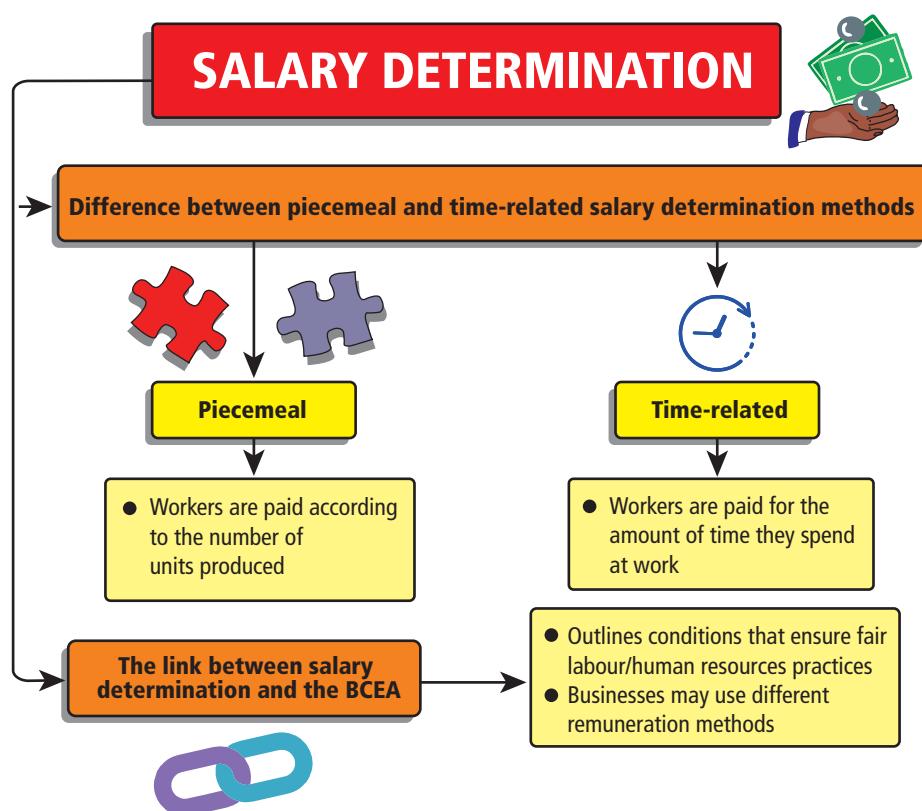
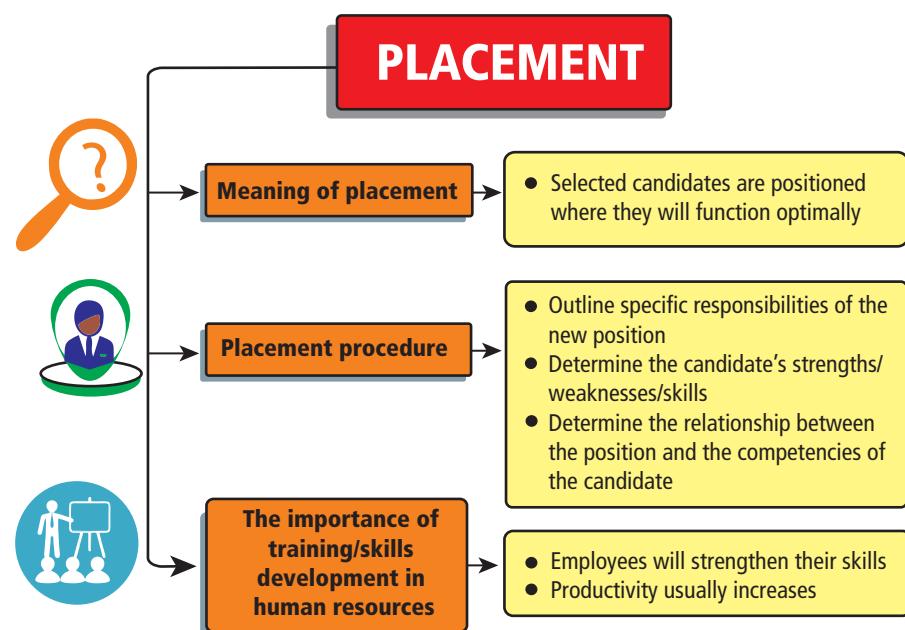
[40]

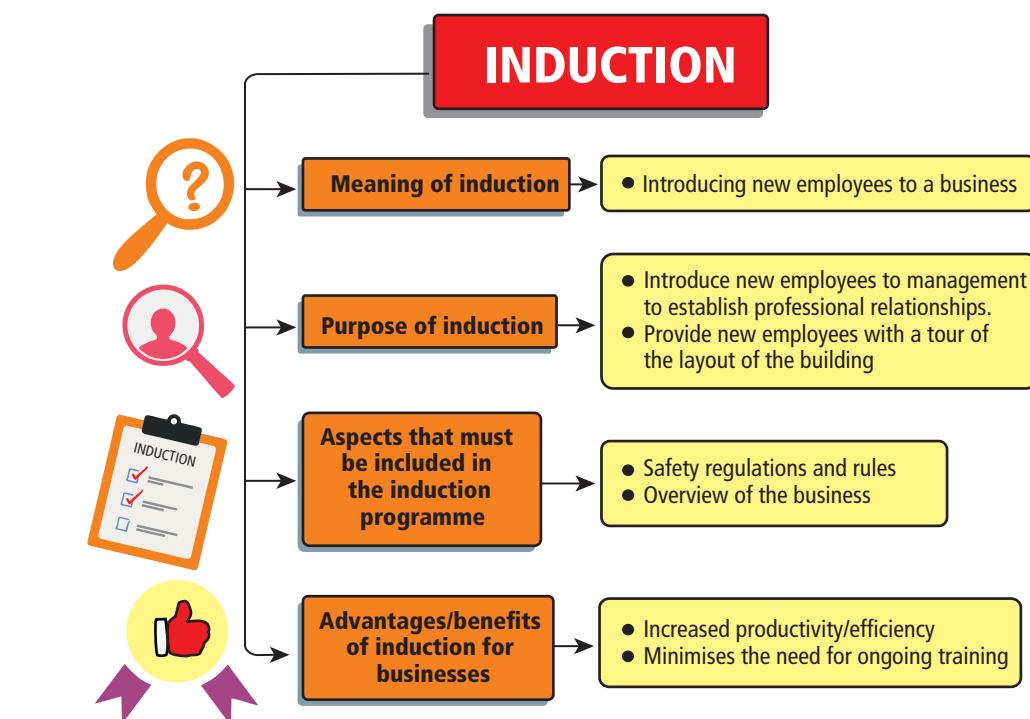
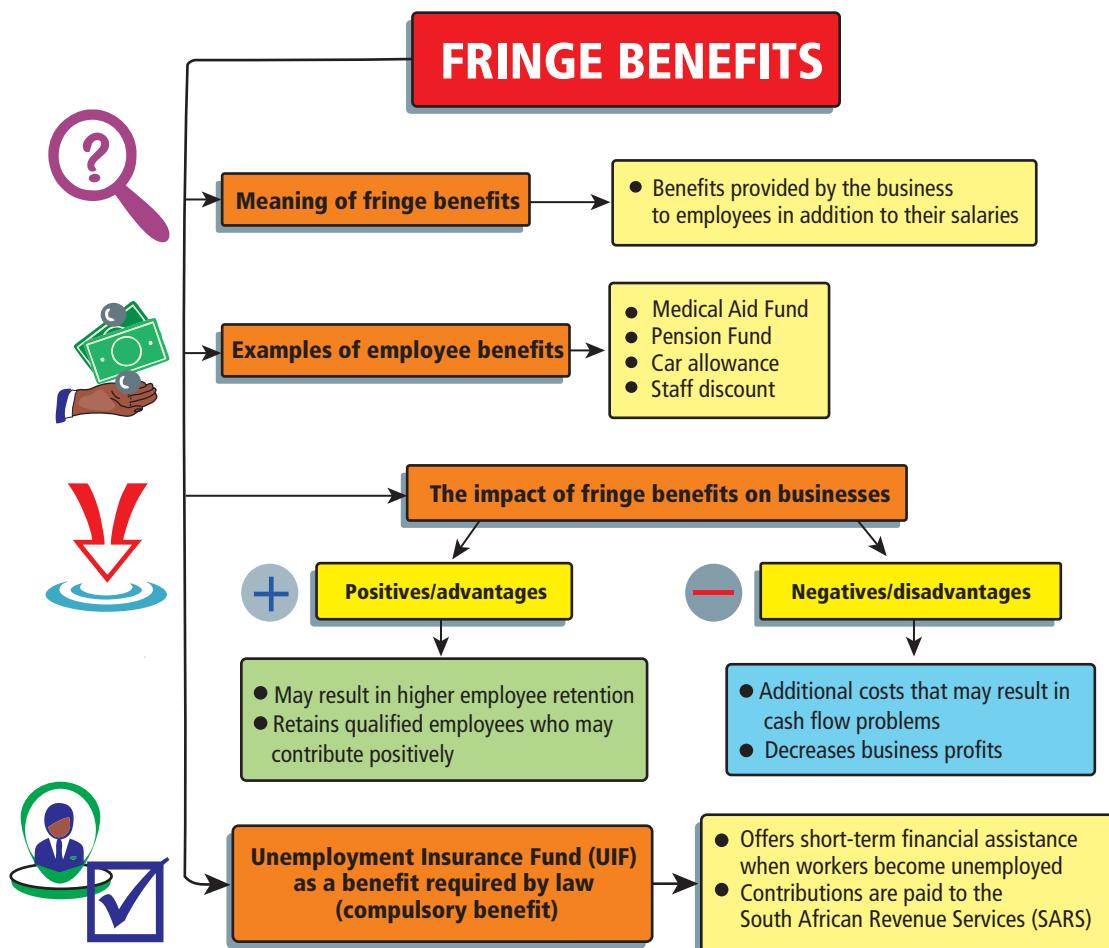
## Mind map: Topic 2 – The human resources function

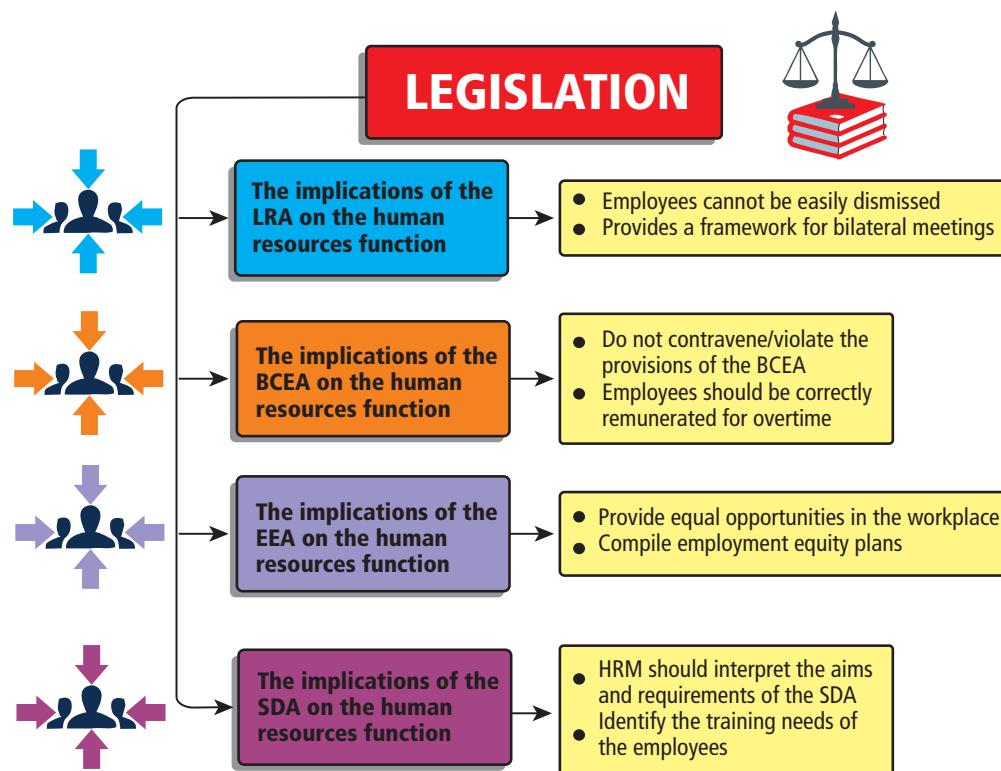
Use the mind maps as a guide to consolidate the content covered in this topic.  
Ensure that you study the content relevant to each heading in this chapter.











## TERM 1

## 3

## Ethics and professionalism



## TOPIC OVERVIEW

- [Unit 3.1 Understanding ethical and professional behaviour](#)
- [Unit 3.2 Application of the King Code principles](#)
- [Unit 3.3 Challenges posed by unethical and unprofessional business practices](#)



## Learning objectives

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

- ❖ define/elaborate on the meaning of ethical behaviour
- ❖ give practical examples of ethical and unethical behaviour
- ❖ define/elaborate on the meaning of professional behaviour
- ❖ give practical examples of professional and unprofessional behaviour
- ❖ outline the differences/differentiate/distinguish between ethical and professional behaviour
- ❖ explain how businesses can apply the King Code principles of transparency, accountability and responsibility for good corporate governance to improve ethical business conduct
- ❖ suggest/recommend ways in which professional, responsible, ethical and effective business practice should be conducted
- ❖ identify the following types of unethical business practices from given scenarios/statements:
  - unfair advertising
  - pricing of goods in rural areas
  - taxation/tax evasion
- ❖ explain how the above-stated types of unethical business practices pose challenges to businesses
- ❖ recommend/suggest ways in which businesses could deal with the above-mentioned types of unethical business practices
- ❖ identify the following types of unprofessional business practices from given scenarios/statements:
  - sexual harassment
  - unauthorised use of workplace funds and resources
  - abuse of work time
- ❖ explain how the above-stated types of unprofessional business practices pose challenges to businesses
- ❖ recommend/suggest ways in which businesses could deal with the above-stated types of unprofessional business practices.



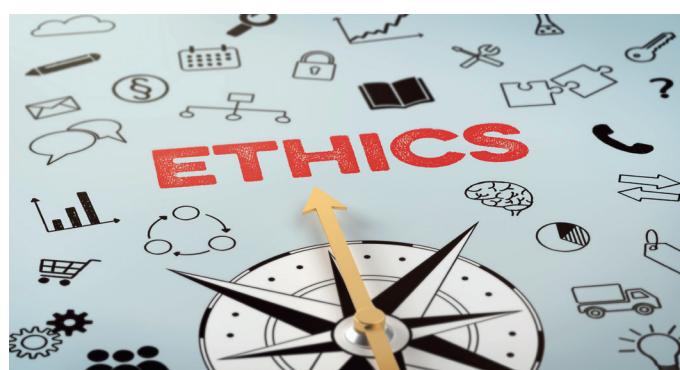
## Key concepts

- **Ethical behaviour:** Acting according to with a set of values that is morally acceptable in society.
- **Business ethics:** the set of values of a business, displayed by its managers, executives and employees. These values must be morally acceptable by society, and within set business codes.
- **Professionalism:** describes the internationally accepted standards and expectations that businesses and society have of people's conduct and levels of competence in the workplace. It is a broader concept than ethics and includes aspects such as appearance, attitude, loyalty, etc.
- **Business practice:** the procedures/rules followed by a business in the pursuit of its objectives.
- **Corporate governance:** the exercise of ethical and effective leadership by the individuals who are responsible for managing the business. They are required to achieve good performance, effective control, sustainability, and profitability.
- **Code of conduct:** a document that states acceptable behaviour in the business. Everyone in the business must act according to these principles.
- **Annual General Meeting (AGM):** a meeting of a company attended by all the shareholders that takes place once a year.
- **Unprofessional practices:** when people/the business do not act within the accepted standards and expectation, it is unprofessional behaviour.
- **Unethical practices:** when the business acts with a different set of values of what is morally acceptable.

## Introduction

In Grade 11 we learned about the meaning of ethical and professional behaviour as well as the differences between them. We worked with examples and discussed the advantages of ethical business ventures. We also learned how professional, responsible, ethical, and effective business practices should be conducted.

We will revise this content in Grade 12 and provide a detailed explanation of ethical behaviour and professional behaviour. We will also look at how businesses can apply the King Code principles for good corporate governance . Furthermore, the differences between the types of unethical and unprofessional behaviour will be made.



## Unit 3.1 Understanding ethical and professional behaviour

### The meaning of ethical behaviour

Businesses always have the responsibility to do the right things and do things right. For this reason, ethical behaviour means that businesses have the responsibility to use moral codes that guide them to make the choice between right and wrong.

Ethics form part of the code of conduct of a business. The business must set values that will be used in their operations. This moral compass of the business will be used for guidance when making decisions.

#### ••| Class Activity

Discuss the following as a class.  
Is there a difference between professional and ethical behaviour?

### Examples of ethical and unethical behaviour

The following examples of ethical and unethical behaviour will illustrate the difference between them.

#### Examples of ethical behaviour

- The business is telling the truth during a public relations crisis to overcome the issue they are facing.
- Businesses keep promises to their employees, partners, and customers.
- The business shows loyalty when they make decisions that will also benefit their staff, partners, investors, and customers.
- The business shows fairness when it exercises its power justly to all its stakeholders.
- The business operates within the law and other restrictions.
- Businesses ensure that the environment is not polluted during their production process.
- Businesses do not engage in illegal business practices such as price-fixing.
- Businesses do not make use of child labour.

#### Examples of unethical behaviour

- Dumping pollutants into the water supply rather than using environmentally friendly solutions for cleaning up the pollutants.
- Releasing toxins into the air at levels that are above the permitted level of the Environmental Protection Agency.
- Deliberately falsifying information on tax returns.
- Classifying an employee as a contractor to reduce payroll taxes and avoiding other compulsory deductions.

- Engaging in price-fixing to force smaller competitors out of business.
- Using bait and switch or false advertising tactics to lure customers in or convince them to buy a product.

## The meaning of professional behaviour

Although professionalism is closely linked to ethics, it is a broader concept than ethics. It includes issues such as appearance, communication, responsibility, knowledge, skills, etc.

An example of professionalism is a business person who is dressed in a suit and tie, has good manners, and shows good business sense. A professional person will also make good use of work time, treating all people with respect, and keeping the business's and client's information confidential.



## Examples of professional and unprofessional behaviour

### Professional behaviour

- Respecting yourself and others, for example, being on time for work and appointments.
- Using polite language with colleagues and clients.
- Good use of work time and setting high standards in all areas of your job.
- Keeping clients' details confidential/Not using clients' information for personal gain.
- Treating all colleagues and clients the same.
- Taking responsibility for your actions, for example, admitting your mistakes.
- Exercising reasonable work morale and self-motivation.

### Unprofessional behaviour

- Using rude/impolite language with colleagues and clients.
- Abusing work time, for example, coming late, making or receiving personal phone calls, and sending unnecessary emails.
- Discussing clients' information/Using clients' information for personal gain.
- Giving some people special favours.
- Overstating the number of hours worked.
- Being unprepared for assignments or tasks.
- Creating false impressions and providing misleading information.
- Unauthorised use of business resources.

### QR CODE

Tips on Professionalism



<https://www.youtube.com/watch?v=OuHJ7EExchY>

## The differences between ethical and professional behaviour

The differences between ethics and professionalism are displayed in the following table.

Tip	Ethical behaviour	Professional behaviour
Ethical behaviour refers to the actions, right or wrong, of businesses while professional behaviour refers to the actions by or conduct of the employees in a business.	<ul style="list-style-type: none"> <li>Refers to the principles of right and wrong/acceptable in society.</li> <li>Conforms to a set of values that are morally acceptable.</li> <li>Forms part of a code of conduct to guide employees to act ethically.</li> <li>Focuses on developing a moral compass for decision making.</li> <li>Involves following the principles of right and wrong in business activities/practices/dealings.</li> </ul>	<ul style="list-style-type: none"> <li>Refers to what is right/wrong/acceptable in a business.</li> <li>Set of standards of expected behaviour.</li> <li>Applying a code of conduct of a profession or business.</li> <li>Focuses on upholding the reputation of a business/profession.</li> <li>Includes guidelines on employees' appearance/communication/attitude/responsibility.</li> </ul>

### Activity 3.1 Classwork/Homework

#### 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 in your answer book.

professional behaviour ; code of conduct ; individualism  
dress code ; lawful behaviour ; ethical behaviour

- 1.1.1 When the business acts within a set of values that is morally accepted by society and adheres to business codes, it is called ...  
1.1.2 The ... is a document that states the acceptable behaviour of everyone in the business.  
1.1.3 Aspects like appearance, loyalty, and attitude refer to the ... of employees. (6)

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

#### ROLLS OFFICE EQUIPMENT (ROE)

Xabanisa, a manager at Rolls Office Equipment, wants to address the staff. He noticed that employees are not polite to customers. He also noticed that the previous management engaged in price fixing in the past. He also observed that senior staff were always late.

- 1.2.1 Quote TWO actions that are regarded as unprofessional from the scenario above. (2)  
1.2.2 Name THREE examples of unethical behaviour. (3)  
1.2.3 Distinguish between *ethical behaviour* and *professional behaviour*. (8)  
1.3 Explain examples of unethical behaviour of businesses. (8)

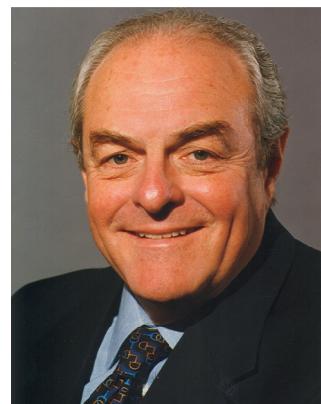
[27]

## Unit 3.2 Application of the King Code principles

### The meaning of the King Code principles

The King Code was developed by the former Judge of the High Court, Mervyn King and by the King Commission. The King Code aims to set a code for ethical and effective leadership by the board of directors.

*[Source: Adapted from www.2.deloitte.com, accessed on 23 March 2021.]*



■ Judge Merwyn King

### The application of the King Code principles

We will only focus on the application of transparency, accountability and responsibility as the King Code principles for good corporate governance.

#### Transparency

- Decisions/Actions must be clear to all stakeholders.
- Staffing and other processes should be open and transparent.
- Employees/Shareholders/Directors should be aware of the employment policies of the business.
- Auditing and other reports must be accurate/available to shareholders/employees.
- Regular audits should be done to determine the effectiveness of the business.
- Business deals should be conducted openly so that there is no hint/sign of dishonesty/corruption.
- Businesses should give details of shareholders' voting rights to them before/at the Annual General Meeting (AGM).
- The board of directors must report on both the negative and positive impacts of the business on the community/environment.
- The board should ensure that the company's ethics are effectively implemented.

#### Accountability

- There must be regular communication between management and stakeholders.
- The company should appoint internal and external auditors to audit financial statements.
- The board should ensure that the company's ethics are effectively implemented.
- Businesses should be accountable/responsible for their decisions/actions.
- Businesses should present accurate annual reports to shareholders at the Annual General Meeting (AGM).
- Top management should ensure that other levels of management are clear about their roles and responsibilities to improve accountability.



#### Tip

Ensure that you know the differences between the King Code principles.

Transparency means the business must hide nothing from employees, shareholders, investors and the public.

Accountability means that management must be willing to be accountable for all their actions.

Responsibility reflects the actions of the business towards the community and the environment.

## Responsibility

- The business/board should develop and implement programmes that should be aimed at protecting the communities in which they operate.
- The business/board should develop remedial programmes to protect the environment, for example, reduce air and water pollution.

## Ways in which professional, responsible, ethical and effective business practice should be conducted

**Tip**

Approach the question holistically and do not try to break your response down into professional, responsible or ethical ways that business practice should be conducted because this may cause you to lose marks.



Although businesses have a choice in how they will conduct their business practices, they must choose within the principles of the King Code to remain profitable and sustainable over a long period. Let us look at ways in which professional, responsible, ethical and effective business practice should be conducted:

- Business decisions and actions must be clear/transparent to all stakeholders.
- Businesses should be accountable /responsible for their decisions and actions/patent rights.
- The business should hire honest/trustworthy accountants/financial officers with good credentials to ensure transparent recording and financial statements.
- The payment of taxes must be regular/timeous, and the business must disclose all needed information to SARS and not find loopholes to avoid paying taxes.
- The business should draw up a code of ethics/conduct. This document must state acceptable behaviour in the business.
- There must be ongoing development and training for all employees of the business.
- Performance management systems/Appraisals should be in place to motivate employees of the business.
- There must be adequate internal controls/monitoring/evaluation to ensure accountability of the business.
- The business's salaries and wages must be fair and in line with the requirements of the BCEA. Businesses must also remunerate employees for all work done and for working overtime.
- Businesses must take care of the environment and use green policies such as recycling paper, responsible disposal of waste material, and safe energy in the workplace.
- The business must not start a business venture at someone else's expense or using the ideas of other businesses/individuals, and respect the intellectual property of other businesses.
- Businesses should treat all their employees equally, regardless of their race/colour/age/gender/disability, and so on. They must also adhere to the requirements of the EEA.
- Provide quality goods and services to customers, pay attention to the safety of customers, and give clear information to the customers so that they can make informed decisions.

**Tip**

When there are many bullets listed under a concept, scaffold the information and select the six facts that you remember best.



**••| Activity 3.2****Classwork/Homework****QUESTION 1**

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

**GLORY FRUITS LIMITED (GFL)**

Odwa was appointed as a new CEO at Glory Fruits Limited. He conducted a meeting with the company's shareholders. Some shareholders were not aware of the Annual General Meeting.

**1.1.1** Identify the King Code principle applicable GFL.

Motivate your answer by quoting from the scenario above.

(3)

**1.1.2** Explain how GFL can apply transparency as a King Code principle to improve ethical business conduct.

(6)

**1.2** Recommend ways in which professional, ethical and effective business practice should be conducted.

(6)

[15]

**Tip**

Remember to look at the action verb for each question in order to determine the way in which the answer will be marked.

## Unit 3.3 Challenges posed by unethical and unprofessional business practices



### The meaning of types of unethical business practices

Unethical behaviour on the part of the company and its management creates a situation where employees feel ashamed or embarrassed by their company, its product or service, or their role in it. It is as if they are doing something wrong by association. These feelings cause mistrust and low morale.

#### Unfair advertising

Unfair advertising is also known as false or deceptive advertising. This refers to the use of false or misleading statements in advertising, leading to the misrepresentation of the concerned product, which may negatively affect consumers. Examples of unfair advertising can be a false claim about the characteristics of the goods or service, such as if a product is a different colour, size or weight compared to what is being advertised. It can also be that the price or way the price is calculated, is misrepresented when products are advertised at sale prices, but turn out not to be.

#### Pricing of goods in rural areas

Businesses often charge high/exorbitant prices for goods in rural areas. People in rural areas are often not able to compare prices of different retailers. They are forced to buy from one local store, placing them at the mercy of greedy shopkeepers who inflate prices.

**Tip**

Unethical business practices include actions of the business.

Unprofessional business practices on the other hand, include actions of employees.

**i****Tip**

You need to know the types of unethical issues, in order for you to identify it from given scenarios OR to understand how it poses challenges to businesses.

**i**

## Taxation/tax evasion

Tax evasion is an illegal activity in which a person or entity deliberately avoids paying a true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties. To willfully fail to pay taxes is an offense.

## Challenges posed by the types of unethical business practices

### Did you know

Red Bull paid out 13 million dollars to settle a false advertising class action suit. The advertisement below was considered a misleading advert.



### Challenges posed by unfair advertising

- The use of false or misleading statements in advertising leads to the misrepresentation of a product, which could negatively affect consumers.
- Deceptive advertising can violate the trust of consumers and destroy business relationships.
- Businesses can make unwise advertising choices when they are under pressure to increase their profits.
- Unfair advertisements could negatively affect consumers.
- Some advertisements may be regarded as discriminatory because they exclude/target some sections of the population.



#### Misleading advertising

## Challenges posed by pricing of goods in rural areas

- Some businesses in rural areas exploit their customers by inflating their prices, and this could lead to disloyalty from their customers.
- Businesses may experience decline in sales due to high cost added into the price of the final product.
- Businesses may form monopolies in rural areas and increase their prices unilaterally which may result in heavy fines.
- It may be common practice to pay higher prices for goods of inferior quality in rural areas. There might be more complaints from customers about bad quality products/services.

## Challenges posed by taxation/tax evasion

- Businesses may pay heavy fines for evading tax.
- Tax evasion may negatively impact on the business image.
- The accountant may be charged high fees for falsifying financial statements.
- Businesses may lose key stakeholders if the act of tax evasion is reported.
- Some businesses submit fraudulent/incorrect returns to SARS resulting in penalties.
- Businesses may not be familiar with the latest changes in tax legislation.

## Ways in which businesses can deal with unethical business practices

### Dealing with unfair advertising

- Businesses must report unfair advertisements by competitors to the Advertising Standards Authority (ASA).
- Businesses should be encouraged to keep their advertising fair and in line with the constitution.
- Businesses must make sure not to omit key information from the advertisements.
- Advertisements should be honest/legal and not abuse consumer's trust/lack of knowledge.
- Advertisements should not contain anything that is discriminatory/likely to cause offence/support act of violence.

### Dealing with pricing of goods in rural areas

- A business may lobby with other businesses in the area to convince the government to improve infrastructure in the rural area.
- Businesses must charge fair/market-related prices for goods and services.
- The business must be willing to avoid unethical business practices to attract customer loyalty.
- They must investigate cost-effective ways of transporting products/Hire a large truck to combine deliveries to shop-owners in the same area.
- The businesses must work together with suppliers to share delivery costs to remote rural areas.

### Dealing with taxation/tax evasion

- Value Added Tax/VAT needs to be charged on VAT-able items.
- Submit the correct tax returns to SARS on time.
- All products should be correctly invoiced and recorded.
- Disclose all sources of income for tax payment purposes.
- Keep abreast with the latest SARS regulations and tax laws.
- Businesses that have evaded tax should apply for amnesty and declare their income.
- Effective systems to determine the appropriate amount of tax to be paid should be in place.
- Businesses should keep accurate records of income statements/financial transactions.
- The employees' payroll needs to reflect accurate deductions according to the progressive tax system.
- Make sure that all financial records are checked and audited.



**Tip**

Professionalism is not actually all about how you behave or how you look. It is also about getting the job done right.



## The meaning of types of unprofessional business practices

### Sexual harassment

Involves unwanted and unwelcome attention of a sexual nature from someone at work. This type of attention causes discomfort, is humiliating, and interferes with the ability of an employee to do his/her job.

### Unauthorised use of workplace funds and resources

If someone is using the business's money or resources without permission, it is called unauthorised use of funds/resources.

### Abuse of worktime

Refers to activities that are not focused on the job an employee is employed to do during working hours, for example, making personal calls during work hours, taking extended lunch breaks, using the printer and copier for personal use, and conducting personal business during work hours.



## Challenges posed by the types of unprofessional business practices

### Challenges posed by Sexual harassment

- The affected party is normally reluctant to report the incident because of the fear of victimisation.
- Sexual harassment causes discomfort/humiliation and interferes with the ability of the victim to successfully complete assigned work tasks.
- The business can lose workers because they do not feel safe in the business.



■ Sexual harassment

- Sometimes the victim prefers to stay away from work and the business loses productivity.
- Sexual harassment causes emotional trauma and the victim's attitude will become negative in the workplace.

### Challenges posed by unauthorised use of workplace funds and resources

- Fraud increases the cost of doing business.
- It may affect the competitiveness of the business.
- It could discourage customers when prices are increased to absorb the losses.
- It could discourage investors when the business receives bad publicity from lawsuits.

### Challenges posed by abuse of work time

- Abuse of work time decreases productivity and causes businesses to lose profits.
- Businesses can also lose customers and not meet work deadlines.
- Time is money, therefore, a loss of work time affects the profits of the business.

### Ways in which businesses could deal with unprofessional business practices

Unprofessional behaviour by fellow employees, especially if it goes unpunished or is condoned by management, prevents co-operation and trust amongst employees, which also creates low morale.



#### Dealing with sexual harassment

- Every business must implement internal complaints and disciplinary procedures.
- They must educate employers on sexual harassment matters.
- The business must formulate a policy regarding sexual harassment.
- They must create a good working environment where all employees' rights and dignity are respected.
- An internal investigation should be conducted to determine the seriousness of the harassment.
- Serious cases/matters of sexual harassment should be reported to the appropriate institutions such as the South African Police Services (SAPS).
- Businesses must ensure that they comply with the law/business code of conduct.

#### Dealing with unauthorised use of workplace funds and resources

- The business must conduct regular audits.
- They must identify risk areas/vulnerable areas.
- They must limit the number of employees having access to business funds/assets.
- The business must implement/introduce fraud prevention strategies.
- The business must educate employees about the impact of fraud.
- Fraud prevention should be a collective responsibility of businesses and workers.
- Clear policies should be in place so that employees are aware of what is considered to be fraud.
- The business should set up systems in the organisation for reporting fraud and corruption.

#### Tip

Ensure that know the unprofessional challenges before you are able to identify it from scenarios and suggest ways in which the business may deal with it.

#### Tip

Ways in which businesses could deal with unprofessional business practices should include what the business itself can do to address the issues. Strategies should not include negative ways of dealing with unprofessional business practices such as, firing the employee and charging guilty ones.

## Dealing with abuse of work time

- Speak directly to those employees who abuse work time.
- The Code of conduct/ethics should contain clear rules about the abuse of work time.
- Businesses should conduct training on the contents of the code of conduct/ethics.
- The code of conduct/ethics should be signed by all employees so that they are aware of its contents.
- The business should monitor employees to ensure that tasks are completed.
- Businesses should structure working hours in such a way that employees have free/flexible time for personal matters.
- The business must create a culture of responsibility/strengthen team spirit for all employees to feel responsible for what has to be achieved.

### Activity 3.3

### Classwork/Homework

#### QUESTION 1

Read the scenario below and answer the questions that follow.

#### MBALI PAINTS (MP)

Mbali Paints is a local paint factory. MP advertised a 30% discount for the first 20 buyers, which was never granted. Peter promised Sheila a position as the new secretary if she would have a relationship with him. The company does not declare all its income to SARS. Alfred, the truck driver, does not always return to the factory after making deliveries. He uses the business truck for private trips.

- 1.1** Identify different types of unethical and unprofessional business practices from the scenario above. Motivate your answer by quoting from the scenario.

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

UNETHICAL BUSINESS PRACTICES	MOTIVATIONS
1.	
2.	
UNPROFESSIONAL BUSINESS PRACTICES	MOTIVATIONS
3.	
4.	
5.	

[15]

**••| Activity 3.4****Classwork/homework****QUESTION 1**

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

**PABLO HAIR SALON (PHS)**

Pablo is the owner of a small company. He promised shares to Jolene, the accountant, in exchange for her having a relationship with him. Jolene does not record all income in the statements they send to SARS. Jolene also uses the company's credit card to pay for her personal expenses.

**Tip**

The strategies must link with unethical/unprofessional practices and must be in the same order as the unethical/unprofessional practices.

Use the table below as a GUIDE to answer QUESTIONS 1.1.1 – 1.1.3.

CHALLENGES (1.1.1)	TYPES (1.1.2)	DEALING WITH TYPES OF UNETHICAL AND UNPROFESSIONAL BUSINESS PRACTICES (1.1.3)
1.		
2.		
3.		

- 1.1.1** Quote THREE challenges faced by PHS from the scenario above. (3)  
**1.1.2** Classify the challenges of PHS according to unethical and unprofessional business practices as quoted in QUESTION 1.1.1. (6)  
**1.1.3** Suggest ways in which PHS can deal with each type of unethical and unprofessional business practice identified in QUESTION 1.1.2. (6)  
**[15]**

## 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** Directors of a company must exercise ethical and effective leadership through ...

- A** annual general meetings.
- B** quid pro quo.
- C** corporate governance.
- D** bribery.

**1.1.2** The set of morally accepted values of a business that is displayed by the management and the employees:

- A** Professionalism
- B** Business ethics
- C** Code of conduct
- D** Operating procedures

**1.1.3** The business engages in price-fixing to force smaller competitors out of the market:

- A** Unethical behaviour
- B** Ethical behaviour
- C** Transparency
- D** Good business sense

**1.1.4** A company should appoint internal and external auditors to audit financial statements. This refers to the King Code principle of ...

- A** transparency.
- B** accountability.
- C** responsibility.
- D** ethical behaviour.

**1.1.5** An employee takes extended lunch breaks to do his/her personal business activities:

- A** Unfair behaviour
- B** Unauthorised use of workplace resources
- C** Tax evasion
- D** Abuse of work time

(5 × 2) (10)

### QUESTION 2

**2.1** Name any FOUR examples of ethical behaviour in the workplace. (4)

**2.2** Identify the types of unprofessional business practices displayed by the employees of Redrock Trading in EACH statement below:

**2.2.1** They take extended tea and lunch breaks. (2)

**2.2.2** The accountant uses the business's petty cash to pay for her lunch every day without permission. (2)

**2.3** Explain how sexual harassment as an unprofessional business practice poses challenges to businesses. (6)

**2.4** Recommend ways in which businesses could deal with the pricing of goods in rural areas as an unethical business practice. (6)

[20]

### QUESTION 3

Unethical behaviour and unprofessional behaviour pose many challenges to businesses as they are always reported on social media. The King Code principles for good corporate governance provide guidelines on how businesses should behave ethically and professionally. Businesses must know how effective business practices should be conducted.

Write an essay on ethics and professionalism in which you include the following aspects.

- Distinguish between *ethical behaviour* and *professional behaviour*.
- Describe how the following unethical business practices pose a challenge to the businesses:
  - » Tax evasion
  - » Unfair advertising
- Explain how businesses can apply the following King Code principles to improve ethical business conduct:
  - » Accountability
  - » Transparency
- Suggest ways in which professional, responsible, ethical, and effective business practice should be conducted. [40]

## Mind map: Topic 3 – Ethics and professionalism

Use the mind map as a guide to consolidate the content covered in this topic.  
Ensure that you study the content relevant to each heading in this chapter.



## TERM 1

## 4

# Creative thinking and problem-solving



## TOPIC OVERVIEW

- [Unit 4.1](#) Problem-solving
- [Unit 4.2](#) Creative thinking



## Learning objectives

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

- ❖ define/elaborate on the meaning of problem-solving and decision-making
- ❖ differentiate/distinguish between problem-solving and decision-making
- ❖ identify/name/outline the steps in problem-solving
- ❖ apply the steps in problem-solving from given scenarios
- ❖ identify/name the following problem-solving techniques from given scenarios/statements:
  - ❖ Delphi Technique
  - ❖ Force Field Analysis
  - ❖ Brainstorming
  - ❖ Nominal Group Technique
- ❖ explain/advise businesses on how they can apply the problem-solving techniques to solve complex business problems
- ❖ discuss/evaluate/analyse the impact (positives/negatives) of the problem-solving techniques
- ❖ define/elaborate on the meaning of creative thinking
- ❖ explain the benefits/advantages of creative thinking in the workplace
- ❖ explain/recommend ways for businesses to create an environment that promotes creative thinking.



## Key concepts

- **Strategy:** An action plan to achieve a specific goal.
- **Action plan:** a plan that shows all the steps that are necessary to achieve a specific goal.
- **Problem-solving:** the process of gathering the facts that are necessary to overcome a specific challenge.
- **Decision-making:** in this step, the decision-maker(s) must consider various alternatives before deciding on the best one.
- **Problem-solving technique:** the method used to solve complex business-related problems.
- **Creative thinking:** it is the ability to look at the same scenario/challenge and come up with original, new innovative ideas/solutions.
- **Innovative:** this is when different new ideas are used to create something unique or create a new solution for the same problem.

## Introduction

In Grade 10 we learned about the meaning of creative thinking, and the advantages of creative thinking in the workplace. We also learned about the differences between problem solving and decision making, different problem-solving techniques, and the application of problem-solving techniques.

In Grade 11 we only focused on the Delphi Technique and Force Field Analysis. We learned about the application of these problem-solving techniques in improving business practice, and how to use problem-solving skills in a business context to solve complex business problems.

In Grade 12 we will recap the content covered in Grades 10 and 11. We will also focus on the FOUR problem-solving techniques, the application and the impact of EACH technique in solving complex business problems.

## 4.1 Problem-solving

Businesses often have to operate in challenging business environments and may experience many challenges. Businesses must have mechanisms in place to help them work through these problems by gathering the facts that are necessary to overcome a specific challenge or to consider various alternatives before deciding on the best solution for the problem.

### Differences between decision making and problem-solving

DECISION-MAKING	PROBLEM-SOLVING
<ul style="list-style-type: none"> <li>• Decision-making is often done by one person/senior management. This makes decision-making more authoritative.</li> </ul>	<ul style="list-style-type: none"> <li>• Problems can be solved by a group/team or an individual team member. This makes problem-solving more inclusive.</li> </ul>
<ul style="list-style-type: none"> <li>• The person/senior management will consider various alternatives before deciding on the best one.</li> </ul>	<ul style="list-style-type: none"> <li>• The group/team will generate/identify various solutions and then critically evaluate each one.</li> </ul>
<ul style="list-style-type: none"> <li>• This process is part of the problem-solving cycle because decisions need to be taken in each step of the cycle.</li> </ul>	<ul style="list-style-type: none"> <li>• This process of analysing a situation will help the group/team to identify strategies that will bring about change.</li> </ul>



#### Tip

- Differences do not have to be in tabular form.
- The differences do not have to link but they must be clear.
- The use of tables makes it easier to understand and answer questions on differences.



- To handle this process businesses need to know that problems in the workplace can be solved by a group/team.

## Problem-solving steps and their application

Due to the many challenges businesses could face in complex business environments, they need to know how to apply the problem-solving steps when faced with a challenge. For example, if the workers' morale is low, management must gather all relevant information to this problem, consider all possible solutions, make a decision, and then implement the solution. Afterwards, the business must evaluate whether the workers' morale has improved.

Let's look at each of the steps in problem-solving. They are illustrated below.

### Steps in problem-solving

#### DEFINE THE PROBLEM

- Have an in-depth understanding of the nature of the problem.
- Gather as much information as possible to establish the cause of the problem.
- Define all the possible causes of the problem.



#### IDENTIFY THE PROBLEM

- Acknowledge that there is a problem before it can be solved.
- Get information and suggestions from everyone who may be affected in order to identify the exact problem.



#### EVALUATE ALTERNATIVE SOLUTIONS

- Use critical evaluation and analytical skills to evaluate each solution.
- Consider the advantages and disadvantages of each alternative solution.



#### IDENTIFY ALTERNATIVE SOLUTIONS

- Identify different possible solutions by using a problem-solving technique such as brainstorming or the Nominal Group Technique.
- Decide what seems to be the best solution(s) to the problem.



#### FORMULATE/DEVELOP AN ACTION PLAN/STRATEGY

- Arrange the necessary resources and delegate tasks.
- Establish a timeline for implementation and set deadlines.



#### CHOOSE THE BEST SOLUTION

- Set criteria for the best solution, considering aspects such as time, cost and risk involved.
- Get consensus or identify which solution will be used.
- The best solution should match the size and the resources of the business.
- If there is no clear solution, the business should go back to square one, that is, identify the problem.



#### EVALUATE THE SOLUTION/ ACTION PLAN

- Assess whether the problem has been solved partially or entirely.
- Continuously monitor the solution and action plan using the appropriate tests.
- If problems emerge, re-formulate the problem for improved solutions in the future.



#### IMPLEMENT THE ACTION PLAN

- Carry out the planned actions to solve the problem.
- Communicate delegated tasks and/or deadlines to all employees.



**Activity 4.1****Classwork/Homework****QUESTION 1**

Read the scenario below and answer the questions that follow.

**JUST RECRUITMENT AGENCY (JRA)**

Just Recruitment Agency was faced with a complex business problem that needed to be solved. The management of JRA was able to identify the problem during their staff meeting. They conducted brainstorming sessions with their employees to come up with as many possible solutions to their problem. Consensus was reached on the best resolution. JRA formulated a plan on how the solution will be implemented.

- 1.1** Identify FOUR problem solving steps applied by JRA. Motivate your answer by quoting from the scenario.

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

PROBLEM-SOLVING	MOTIVATIONS
1.	
2.	
3.	
4.	

(12)

- 1.2** Explain any THREE other problem solving steps that can be applied by JRA.

(9)

[21]

## Problem-solving techniques

There are various problem techniques that businesses can apply to solve complex business problems. The focus in Grade 12 will be on the following problem-solving techniques:

- Delphi Technique
- Force Field Analysis
- Brainstorming
- Nominal Group Technique



## Delphi Technique

Businesses use the Delphi technique to gain a consensus regarding future trends and projections using a systematic process of information gathering. The technique is useful where the opinions and judgments of experts and practitioners are necessary. Delphi technique is usually conducted through questionnaires.

### Ways in which the business can apply the Delphi Technique

- The business must invite a panel of experts to research the challenge/s it might be facing.
- Experts do not have to be in one place and will be contacted individually.
- A questionnaire consisting of questions to gather information from the experts regarding the challenge/s of the business must be designed.
- The experts will then be requested to send individual responses to the questionnaire.
- The business then needs to summarise the responses from the experts using a feedback report.
- This feedback report is sent back to the experts and, if necessary, a second set of questions/questionnaire based on the feedback report to the panel members will be developed.
- Panel members will then be requested to provide further input/ideas on how to solve the challenge/s of the business.
- If necessary, send a third questionnaire based on feedback from the second round will be developed.
- Finally, the business will summarise all the feedback from the experts in a report.
- After reaching a consensus, the business should then choose the best solution/proposal based on the report.

#### Tip

Questionnaires will be sent to experts three times or more if required, after each feedback session before the final report is compiled during the application of the Delphi Technique.



### Impact of the Delphi Technique

#### Positives/Advantages

- Businesses may use a group of experts without bringing them together.
- The experts will give the business clear ideas or solutions on how to improve productivity and/or profitability.
- Information received from experts can be used to solve complex business problems.
- Experts may give honest, credible opinions because they do not have a direct or personal interest in the business.
- Conflict may be avoided especially if all experts are knowledgeable and well qualified.
- Domineering employees will not be able to sabotage the process because they do not form part of the problem-solving process.
- Noise levels in an office environment can be avoided because there will be no need for group discussions.

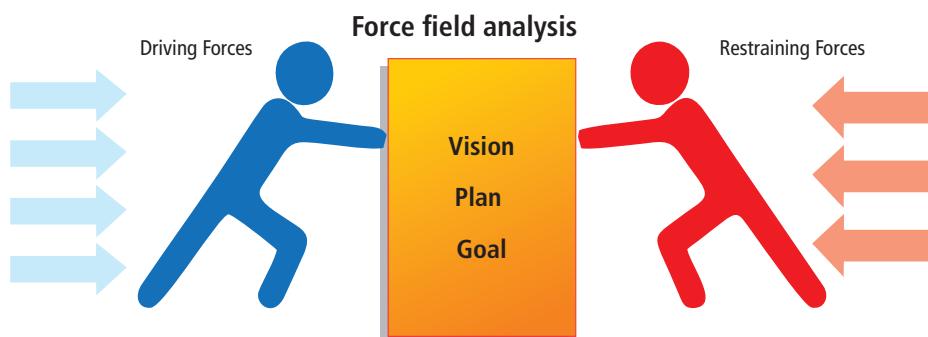
**AND/OR**

### Negatives/Disadvantages

- It is an expensive technique to use because of its high administrative costs.
- It may be time-consuming and complicated to analyse data received from experts, and to set new questionnaires.
- Not all experts are willing or interested to give feedback or to complete questionnaires.
- If the experts are not well chosen, some might not have an in-depth knowledge of certain topics.
- Experts' suggestions may not be valued by some employees, so consensus may not be reached.

### Force Field Analysis

In Grade 11 we learned that the Force Field Analysis was created by Kurt Lewin in the 1940s to facilitate change in a business. The idea behind Force Field Analysis is that the business must weigh up the driving forces (advantages) and restraining forces (disadvantages) against each other, and then decide if changes must take place. The business can also use this technique to consider how to strengthen driving forces and weaken restraining forces.



### Ways in which the business can apply Force Field Analysis

- Describe the current situation or problem and the desired situation and write it in the middle or on top for everyone to see.
- List all driving/pros and restraining/cons forces that will support and resist change.
- Allocate a score to each force using a numerical scale, where 1 is weak and 5 is strong.
- Weigh up the positives and negatives, then decide if the project is viable.
- Choose the force with the highest score as the solution.
- If the project is viable, find ways to increase the forces for change.
- Identify priorities and develop an action plan.

### Impact of Force Field Analysis

#### Positives/Advantages

- It provides a visual summary of all the factors supporting and opposing a particular idea.
- Employees feel included and are able to understand where the business is going.
- Employees develop and grow with the business because they are included in the process.
- Informed decisions can be made because driving forces (forces for) and restraining forces (forces against) are critically evaluated.

#### QR CODE

Visit the following website for more information on the Delphi Technique:  
[www.projectsmart.co.uk](http://www.projectsmart.co.uk)



<https://www.youtube.com/watch?v=bHwohMjG9OA>

#### Tip

Driving forces are the advantages of the challenge.  
Restraining forces are the disadvantages of the challenge.

#### QR CODE

Watch the following video for more information about Force Field Analysis:



<https://www.youtube.com/watch?v=X9ujAtYAfqu>

- It enables businesses to strengthen driving forces and weaken restraining forces.
- Businesses can get an idea of how much time and additional resources they may need to employ.

### AND/OR

#### Negatives/Disadvantages

- It is time-consuming since the business must stabilise before more/further changes can be made.
- Requires the participation of all business units.
- The analysis developed is entirely dependent on the skill level and knowledge of the group working on the analysis.

### A New words

**spontaneously** something happens as a sudden impulse without premeditation or external stimulus.

### Brainstorming

Brainstorming is a group activity to find a solution for a specific problem by gathering a list of ideas **spontaneously**. It is a method of **inspiring creative** problem solving by encouraging group members to come up with thoughts and ideas.



- A group of people creating new ideas using brainstorming

### Ways in which the business can apply the brainstorming technique

- The business must define the problem clearly so that all participants understand it.
- The group must set a time limit for each brainstorming session.
- People in the group must suggest ideas at random, and all ideas must be written on a flip chart or shared online during an e-brainstorming session.
- Each suggestion must be used to inspire new thoughts or ideas from other group members.
- The group leader must not allow anyone to judge or criticise any ideas. The goal is to generate as many ideas as possible.
- The group must then refine the ideas or combine certain ideas. Group discussion needs to take place – if necessary.
- After the discussions, the group must rate ideas and chooses the best solutions according to their usefulness as well as the difficulty and cost to implement them.
- Group members then need to discuss a plan of action on how to implement the best ideas.

## Impact of brainstorming

### Positives/Advantages

- Better or unique solutions and/or ideas are developed through collective contributions and will give the business a competitive advantage.
- Productivity increases if the business generates ideas that use time and money more effectively.
- Employees are motivated as they are allowed to contribute to solving business problems.
- Managers will be better leaders because they will be able to manage change creatively.
- Creativity may lead to new inventions, which may improve the general standard of living.

**AND/OR**

### Negatives/Disadvantages

- Brainstorming is time-consuming as some participants may generate too many ideas that could delay coming up with viable solutions.
- Some team members may dominate the discussion and influence other group members.
- Some employees fear criticism and this may prevent full participation in brainstorming sessions.
- It may lead to **groupthink** and some individuals may not be willing to give their opinions.
- Discussion may result in conflict because of differences in opinions.

## Nominal Group Technique

Businesses use this technique to enable each employee to give their inputs and then share them with their colleagues. This prevents other employees from dominating the discussion. The Nominal Group Technique can be used by **small** groups to reach consensus.

### A New words

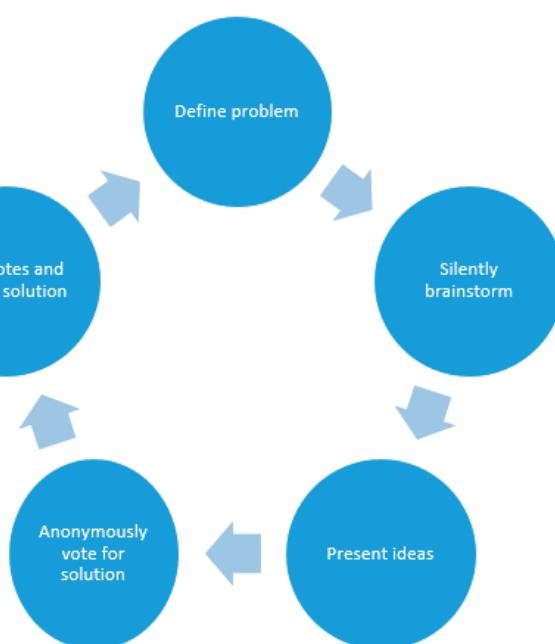
**groupthink** the psychological phenomena/practice of making decisions as a group, resulting in unchallenged/poor-quality decision making.

### QR CODE

Watch the following video for more information about brainstorming:



<https://www.youtube.com/watch?v=YXZamW4-Ysk>



## Ways in which the business can apply the Nominal Group Technique

- Encourage the group to define the problem so that all participants in the small group can work on the same problem.
- If the group is too big it must be split into smaller groups.
- Request each employee to silently brainstorm or generate as many ideas as possible on his/her own and write them down.
- Each employee in the small group will get an opportunity to present one of his/her ideas with a short explanation.
- All ideas are written down on a large paper or recorded electronically on a computer for all to see.
- Employees are then encouraged to ask clarity-seeking questions.
- Criticism of ideas will not be allowed because it will prevent others from participating in the process.
- The next step is to eliminate ideas any duplicate or similar ideas.
- Each employee will then be allowed to read through the suggestions and anonymously rate them from highest to lowest.
- All ratings are collected and the total points for each suggestion are calculated. Once all tallies are in, the group can then choose the best solution.
- Small groups need to present one solution to the large group.

## Impact of the Nominal Group Technique

### Positives/Advantages

- It provides time to think about the question in silence before responding.
- Each team member/director has a chance to participate without interference from other team members.
- Voting on the ideas is anonymous and may be more reliable/honest.
- Everyone in the group is allowed to contribute to the discussion while avoiding the likelihood of one person dominating the group process.
- Enables the group to generate and clarify a large number of ideas quickly and democratically prioritises them.
- Encourages participants to confront issues through constructive problem solving.
- Strong technique for preventing conformity to group pressure.

### AND/OR

### Disadvantages/Negatives

- It minimises discussion and thus does not allow the full development of ideas.
- Ideas/Inputs made by members may not converge and cannot lead to the same solution(s).
- Suggestions may not be as creative as when a group is able to engage with different ideas.
- It is time-consuming, as each member must make a presentation.
- It is hard to implement effectively with large groups unless very carefully planned beforehand.
- Requires extended advance preparation, which means that it cannot be used as a spontaneous technique.
- Good ideas can be voted out because their potential cannot be developed further.
- Small groups limit participation and are pre-selected.



### QR CODE

Watch the following video for more information about the Nominal Group Technique:



[https://www.youtube.com/watch?v=q2yfS2n-1n\\_8&list=RDCMUCI9CUCv0-PotOcl9ZZEzPZsA&index=1](https://www.youtube.com/watch?v=q2yfS2n-1n_8&list=RDCMUCI9CUCv0-PotOcl9ZZEzPZsA&index=1)



### Tip

Remember to look for the keywords in every statement.

**Activity 4.2****Classwork/Homework****QUESTION 1**

- 1.1** Identify the problem-solving technique applied by Tsepo Designers (TD) in EACH statement below.
- 1.1.1** The business allows employees to suggest ideas aloud in large groups.
  - 1.1.2** The management of TD has listed the advantages and disadvantages of changing the business structure.
  - 1.1.3** The employees of TD have been requested to work on their own to generate as many ideas as possible on expansion, and then to share them with the group.
  - 1.1.4** TD sent questionnaires to some experts to determine if it will be viable to develop a new branch in the area. (8)

**Tip**

Remember the following when answering an essay question:

- For the introduction, you must give information on the topics asked in the bullets without repeating any information, for example, in bullet two you will explain the steps, and in the introduction, you can define the meaning of problem-solving steps.
- In the introduction, there must be two separate facts (one mark each)
- Action verbs like explain, distinguish, discuss, and so on, will be marked using split marks.
- Action verbs like advise, suggest, recommend, and so on, will be marked using two marks for each fact.
- You must include all headings in the essay, but will not receive any marks for the headings from the bullets.
- If a number is stated in a question, for example, in bullet two, there must be a heading/fact (✓✓) and an explanation. (✓✓)
- Bullet one can be in tabular form, but you may also discuss it separately.
- Differences discussed in tabular form do not have to link, but the difference must be clear.
- Take note of the meaning of FLSAO before you start with the essay.

**QUESTION 2: BUSINESS ROLES (PROBLEM-SOLVING)**

Businesses operate in a challenging environment and must deal with several problems and make informed decisions. To do this, the business must apply the problem-solving steps to bring about change. The Force Field Analysis and brainstorming can be applied during the problem-solving process.

Write an essay on problem-solving in which you include the following aspects.:

- Outline the differences between *decision-making* and *problem-solving*.
- Explain any FOUR problem-solving steps.
- Discuss how businesses can apply the following problem-solving techniques:
  - Force Field Analysis
  - Brainstorming
- Advise businesses on the impact of Force Field Analysis. [40]

**Tip**

Remember to look for the keywords in every statement in order to identify the correct problem-solving technique.

## 4.2 Creative thinking

In Grade 10 and 11, we learnt that creative thinking is the ability to be innovative and come up with new ideas. Successful businesses always encourage employees to come up with new ideas and new ways of doing things in the workplace.

The following case study is provided for enrichment purposes. We will learn about how the process of creative thinking can be used.



### CASE STUDY ON CREATIVE THINKING : ENRICHMENT

#### The invention of sticky notes

Date: 12 May 2021



In 1968, Dr Spencer Silver, a chemist at 3M Company was trying to invent a super-strong adhesive but instead came up with a super-weak adhesive. He told his colleagues about it but didn't know what to do with it.

In 1974, Art Fry, a colleague of Dr Silver's at 3M, was singing in his church choir. He

became frustrated when the bookmark that he used to mark his place in his hymnal kept falling out. He asked Dr Silver to use some of the adhesives and it worked without damaging the pages.

The rest they say is history ...

*[Source: Adapted from [https://en.wikipedia.org/wiki/Post-it\\_Note](https://en.wikipedia.org/wiki/Post-it_Note), accessed on 6/02/2021 in Wikipedia 'Who invented sticky notes?']*

#### Class activity

Work in groups

- 1.1 Take an object in the classroom (such as a chair or a desk) and brainstorm ways in which to improve it or replace it with something new/different.
- 1.2 Write your suggestions on a page.
- 1.3 Share your suggestions with the rest of the class.

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

Businesses must use creativity and different problem-solving techniques to solve complex business problems.

Management must:

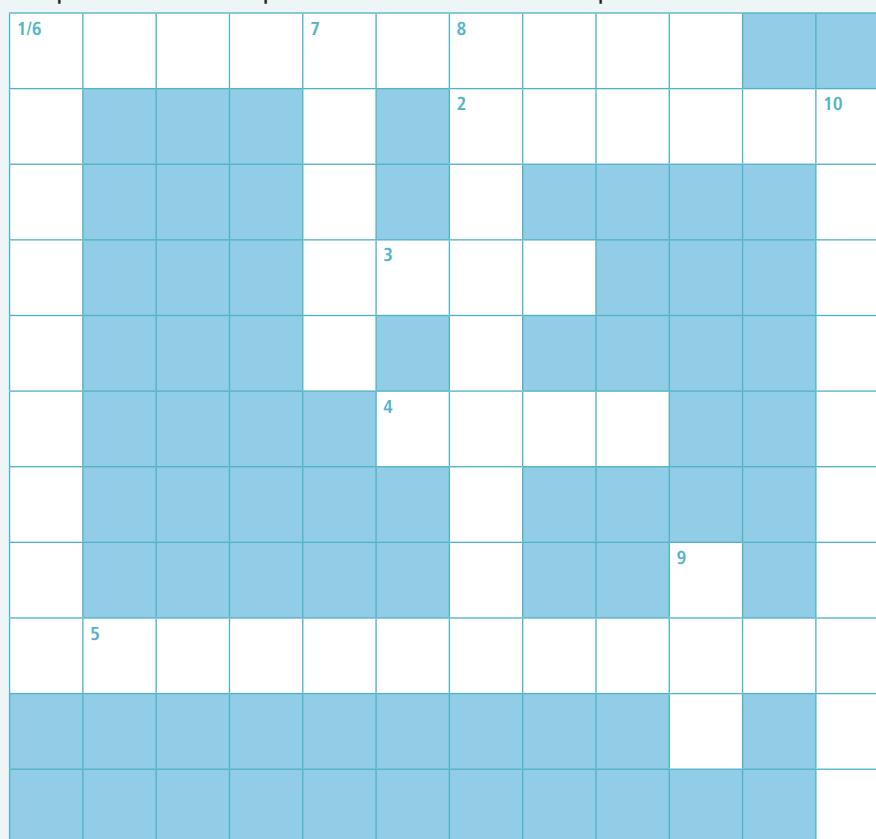
- always be willing to listen and respond enthusiastically to new ideas from staff members.
- encourage all staff members to develop new or unique ideas.
- make time for creating new ideas, for example, through holding workshops where staff members can brainstorm new ideas/solutions.
- make it easy for staff members to suggest new ideas using suggestion boxes at the business premises.
- train staff members on innovative techniques like mind mapping.
- organise job swapping with other businesses to learn from other more creative ways to handle situations.
- introduce incentives for staff members who came up with useful, creative ideas.
- make sure that the working environment is free from distractions like high noise levels.

## Advantages of creative thinking in the workplace

- Better, unique or unconventional ideas and solutions are generated.
- May give the business a competitive advantage if unusual, unique solutions, ideas, strategies are implemented.
- Complex business problems may be solved.
- Productivity increases as management and employees may quickly generate multiple ideas that use time and money more effectively.
- Managers and employees have more confidence as they can live up to their full potential.
- Managers will be better leaders as they will be able to handle/manage change(s) positively and creatively.
- Managers and employees can develop a completely new outlook, which may be applied to any task(s) they may do.
- Leads to more positive attitudes as managers and employees feel that they have contributed towards problem-solving.
- Improves motivation amongst staff members.
- Managers and employees have a feeling of great accomplishment and they will not resist or obstruct the process once they solved a problem and contributed towards the success of the business.
- Management and employees may keep up with fast-changing technology.
- Stimulates initiative from employees and managers as they are continuously pushed out of their comfort zone.
- Creativity may lead to new inventions which improve the general standard of living.

● ● | Activity 4.3 Crossword puzzle
**QUESTION 1**

Complete the crossword puzzle below based on the clues provided.

**Across**

- 1 The ... technique will compare driving forces against restraining forces.
- 2 For the ... technique the business will send questionnaires to experts.
- 3 Decision-making is often done by ... person.
- 4 Creative ideas/solutions can save the business money and ...
- 5 Creative thinking will improve ... between staff members

**Down**

- 6 During brainstorming, the ideas of the group will be written on ...
- 7 The Nominal Group Technique gives every group member an ... voice.
- 8 The first step of the problem-solving cycle is to ... the problem.
- 9 Businesses will install a suggestion ... to make it easy to come forward with new ideas.
- 10 Businesses must implement ... to reward staff members for creative ideas.

(10 × 2 ) (20)

## Summary of problem-solving techniques

DELPHI TECHNIQUE	FORCE FIELD ANALYSIS	BRAINSTORMING	NOMINAL GROUP TECHNIQUE
<b>Keyword:</b> experts/questionnaires	<b>Keyword:</b> change/pros + cons	<b>Keyword:</b> creativity/large groups	<b>Keyword:</b> equal voice/individual ideas
<b>Application:</b> <ul style="list-style-type: none"> <li>• Invite panel</li> <li>• Design questionnaire</li> <li>• Fill in the questionnaire</li> <li>• Summarise responses</li> <li>• 2nd + 3rd questionnaires</li> <li>• Finalise report</li> <li>• Make decision</li> </ul>	<b>Application:</b> <ul style="list-style-type: none"> <li>• The problem in the middle</li> <li>• List pros + cons</li> <li>• Allocate a score</li> <li>• Weigh pros + cons</li> <li>• Choose the highest outcome</li> <li>• Develop action plan</li> </ul>	<b>Application:</b> <ul style="list-style-type: none"> <li>• Define problem</li> <li>• Set time limit</li> <li>• Suggest random ideas + write on a flip chart</li> <li>• No criticism</li> <li>• Refine ideas + discuss</li> <li>• Choose solution</li> <li>• Develop action plan</li> </ul>	<b>Application:</b> <ul style="list-style-type: none"> <li>• Define problem</li> <li>• Set small groups</li> <li>• Silently brainstorm + write ideas</li> <li>• Short explanation + ask questions</li> <li>• Eliminate + combine ideas</li> <li>• Rate/vote anonymously</li> <li>• Calculate + choose</li> <li>• Give feedback</li> </ul>
<b>Advantages:</b> <ul style="list-style-type: none"> <li>• Saves time + money</li> <li>• Clear ideas</li> <li>• Creative input</li> <li>• Information-confidential</li> <li>• Low noise level</li> <li>• Best solution – through consensus</li> <li>• No-one dominates</li> </ul>	<b>Advantages:</b> <ul style="list-style-type: none"> <li>• Visual summary</li> <li>• Employees feel included</li> <li>• Employees develop + grow</li> <li>• More informed decisions</li> <li>• Better handling of pros + cons</li> <li>• Know timeline</li> </ul>	<b>Advantages:</b> <ul style="list-style-type: none"> <li>• Better/unique ideas/solutions</li> <li>• Competitive advantage</li> <li>• Solve complex problems</li> <li>• Increase in productivity</li> <li>• Motivation for employees</li> <li>• Managers – better leaders</li> <li>• More confidence in business</li> <li>• New inventions</li> </ul>	<b>Advantages:</b> <ul style="list-style-type: none"> <li>• Time to think silently</li> <li>• No interference</li> <li>• Outcome more honest</li> <li>• No-one dominates</li> <li>• A large number of ideas</li> <li>• Constructive process</li> <li>• No conformity</li> </ul>
<b>Disadvantages:</b> <ul style="list-style-type: none"> <li>• Expensive</li> <li>• Time-consuming</li> <li>• Expert sometimes unwilling</li> <li>• Lack of in-depth knowledge</li> <li>• Employees doubt experts</li> </ul>	<b>Disadvantages:</b> <ul style="list-style-type: none"> <li>• Time-consuming</li> <li>• All units must participate</li> <li>• The group must have knowledge</li> </ul>	<b>Disadvantages:</b> <ul style="list-style-type: none"> <li>• Time-consuming</li> <li>• Some members dominate</li> <li>• Some fear criticism</li> <li>• May lead to groupthink</li> <li>• Conflict may occur.</li> </ul>	<b>Disadvantages:</b> <ul style="list-style-type: none"> <li>• Not always the best solution</li> <li>• No feeding on others' creativity</li> <li>• Not effective - large groups</li> <li>• Time-consuming</li> <li>• Groups are pre-selected</li> </ul>

## 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 (1.1.1 – 1.1.4) in your notebook.

problem-solving; brainstorming; conventional thinking;  
Delphi; decision-making; force field analysis;  
creativity; nominal group

1.1.1 Businesses consider various alternatives before choosing the most appropriate one. This is known as ...

1.1.2 Businesses may use a group of experts without bringing them together when applying the ... technique.

1.1.3 Howich Manufacturers applied the ... problem-solving technique by requesting each employee to silently generate many new ideas and then share them with others.

1.1.4 ... is the ability to think of original and new ideas to solve problems.. (8)

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

#### DELTA (PTY) LTD (DPL)

The management of DPL is considering the possibility of opening a new line of production. DPL would like to first acquire the opinions of experts on the sustainability and viability of the idea.

1.2.1 Identify the problem-solving technique that DPL will use. Motivate your answer by quoting from the scenario above. (3)

1.2.2 Explain how DPL can apply the problem-solving technique identified in QUESTION 1.2.1. (8)

1.3 Discuss the advantages of brainstorming as a problem-solving technique. (8)  
[27]

### QUESTION 2: BUSINESS ROLES (CREATIVE THINKING AND PROBLEM-SOLVING)

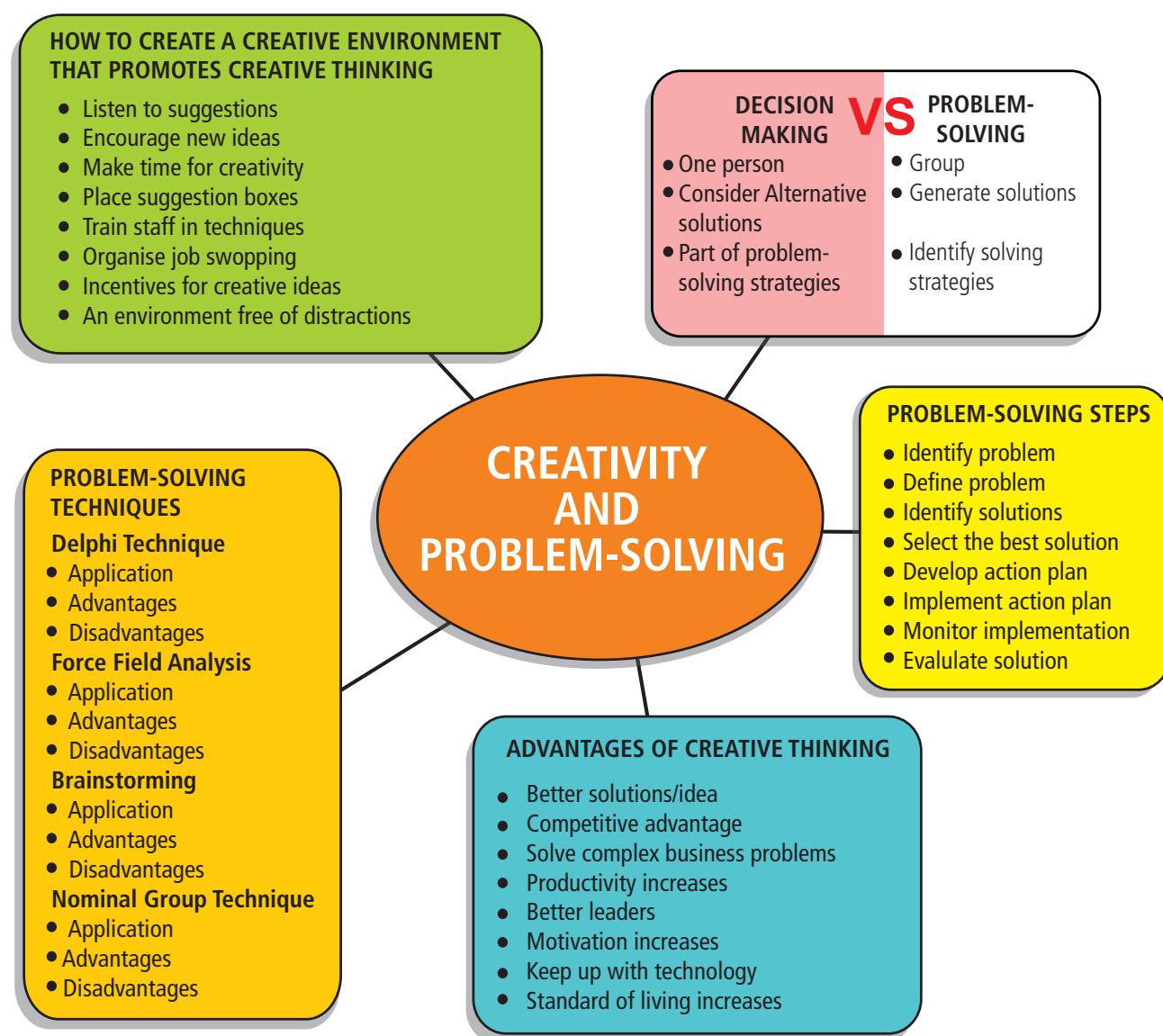
Businesses operate in a dynamic environment that require employees to work in an environment which promotes creative thinking. Many businesses prefer to apply the nominal group technique in order to solve their complex business problems.

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

- Outline ways in which the business can create an environment that promotes creative thinking in the workplace.
  - Explain the advantages of creative thinking in the workplace.
  - Discuss how businesses can apply the nominal group technique to solve their problems.
  - Advise businesses on the impact of the nominal group technique in solving complex business problems.
- [40]

## Mind map: Topic 4 – Creative thinking and problem solving

Use the mind map below as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



## 5

# Macro environment: Business strategies



## TOPIC OVERVIEW

- **Unit 5.1** The strategic management process and industrial analysis tools
- **Unit 5.2** Business strategies



## Learning objectives

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

- ❖ compile a SWOT analysis of a particular business from a given scenario
- ❖ name and identify Porter's Five forces model from given statements/scenarios
- ❖ explain/advise businesses on how they could apply Porter's Five Forces model to analyse their position in the market
- ❖ name and apply PESTLE analysis factors from given scenarios/statements
- ❖ explain how PESTLE factors pose challenges to businesses
- ❖ recommend ways in which businesses can deal with the challenges that are posed by PESTLE factors
- ❖ explain/describe/discuss the following types of business strategies:
  - integration strategies
  - intensive strategies
  - diversification strategies
  - defensive strategies
- ❖ outline/explain/discuss the advantages of intensive and diversification strategies
- ❖ outline/explain/recommend/advise businesses on the steps in strategy evaluation:
  - examine the underlying bases of the business strategy
  - look forward and backwards into the implementation process
  - compare expected performance (measure business performance)
  - take corrective action where necessary
  - set specific dates for control and follow up
  - decide on the desired outcome.



## Key concepts

- **Backward vertical integration:** the business combines with/merges/takes over its suppliers up the supply chain/production chain.
- **Barriers of new entrants to the market:** the existing barriers that prevent new entrants from entering the market successfully.
- **Buyers:** the customers/consumers/clients who purchase goods and services from the business.
- **Competitors:** rival businesses that sell similar or identical products to the customers of your (the) business.
- **Competitor's profile:** the systematic gathering of data of a competitor that the business uses to enhance its competitive position.
- **Concentric diversification:** the business adds new products/services that are related to existing/current products/services but will appeal to new customers/consumers.
- **Conglomerate diversification:** the business adds new products/services that are unrelated to existing products which may appeal to new groups of customers.
- **Defensive strategies:** the business uses defensive strategies to defend the existence/survival/operations of the business during times of financial difficulty/turmoil/defend itself from competitors.
- **Diversification strategies:** diversification strategies are used to expand/extend business operations by adding products/services/ markets/stages of production of the existing business into new markets/market segments.
- **Divestiture/Divestment:** the business disposes/selling some assets/divisions that are no longer profitable/productive/functional/relevant.
- **Forward vertical integration:** the business combines/merges with/takes over its distributors down the supply chain/production chain.
- **Horizontal diversification:** the business adds new products/services that are unrelated to existing/current products, but which may appeal to existing/current customers/consumers.
- **Horizontal integration:** the business takes control of/incorporates/merges with other businesses in the same/related industry which produce/sell the same/similar products.
- **Industrial analysis tool:** a specific tool/technique/method/process that is used by a business to analyse a particular business environment/different business environments.
- **Integration strategies:** used by businesses to gain control over suppliers/distributors/competitors.
- **Intensive strategies:** require intensive efforts by the business to improve its competitive advantage/position with existing or new products in the market, in order to increase/improve the profitability of the business.
- **Liquidation:** the business sells all assets to pay creditors due to a lack of capital/the inability to repay creditors/bankruptcy.
- **Market development:** the business uses this growth strategy to sell its existing/current products in new markets/ geographical areas.
- **Market penetration:** the business focus on selling existing/current products into the existing/current market to increase their market share.
- **Market share:** the portion of the market/customers to which the business sells products/services.



## Key concepts

- **New entrants:** new businesses that enter the market/industry.
- **PESTLE analysis:** an industrial analysis tool/environmental scanning technique that is used to identify and evaluate the factors in the external environment (macro environment) that can influence the business.
- **Porter's Five Forces model:** based on the rationale that five forces determine/influence the competitive strength/position of the business within the market/industry.
- **Power of buyers:** the ability of buyers to influence the business to decrease/drop the price of the product/service.
- **Power of competitors:** the degree/amount of power of existing/current competitors within the market.
- **Power of suppliers:** the ability of suppliers to increase the price of the supplied product/service.
- **Product development:** the business uses this growth strategy to introduce new products into existing/current markets.
- **Retrenchment:** the business terminates the employment contracts of employees for operational/structural/restructuring reasons.
- **Strategic management process:** the way in which an organisation defines its strategy.
- **Strategy:** a purposeful course of action that the business follows to achieve its purpose/objectives/goals/aims.
- **Strategy evaluation:** allows a business to evaluate/assess whether the intended strategy is serving its purpose.
- **Substitute products:** cheaper alternative/replacement products used by consumers.
- **Suppliers:** businesses that provide inputs/raw materials/semi-finished goods/products to the business.
- **Supply chain/production chain:** the steps/processes required to get the product to the customer through the primary, secondary and tertiary business sectors.
- **SWOT Analysis:** an industrial analysis tool/environmental scanning technique that enables a business to study the internal (micro) and external (market and macro) environments of a business.
- **Threat of substitution:** the ease at which the product/service of the business can be replaced by a cheaper/inferior alternative.

## Introduction

In Grade 10 you were introduced to formulating and implementing a strategy as one of the problem-solving cycle/steps. You also compiled a SWOT analysis to identify a viable business venture. We also learned about how each PESTLE analysis factor poses a challenge to businesses.

In Grade 11 we learned about the challenges posed by the micro, market and macro environment and strategies businesses can use to deal with these challenges.

In Grade 12 we will provide a detailed analysis of a SWOT analysis, Porter's Five Forces Model and PESTLE analysis factors through the strategic management process.

# Unit 5.1 The strategic management process and industrial analysis tools

Successful businesses conduct the strategic management process in order to identify suitable business strategies that will enable them to remain profitable and sustainable. It is conducted by management to implement specific strategies that are aimed at improving/retaining/enhancing the competitive advantage of the business and to address various challenges of the business environments. It allows the business to stay ahead of competitors and to increase its market share. Strategic management forms an integral part of the overall accountability of management.



## Strategy (Definition/Description)

- A strategy is a purposeful course of action that a business follows to achieve its purpose/objectives/goals/aims.
- It is defined as a long-term plan of action to achieve a specific goal.
- A strategy is a specific plan of action to solve a problem/address an opportunity.
- It enhances the ability of the business to achieve its mission/vision.
- A strategy integrates/allocates/manages organisational activities/resources to meet present/future goals/objectives/aims.
- It is concerned with long-term developments/plans rather than routine operations/processes.



### Tip

Learn the steps of the strategic management process very well as it is a fundamental component that serves a platform for the entire topic.

## The strategic management process

The strategic management process is defined as the way in which an organisation defines its strategy. It enables managers to make choices/devise actions regarding a set of strategies that will enable the business to enhance/achieve improved performance.

It is a continuous process that enables the business to identify/improve its ability to deal with challenges and enables businesses to implement strategies that will improve performance. The main/core purpose of the strategic management process is that the business maintains a competitive advantage over competitors.



### Tip

You must write full sentences on the strategic management process for both option 1 and 2 in order earn the maximum mark allocation for this content.

The strategic management process consists of TWO options as follows:

## Option 1

The business must:

- Have a clear vision, mission statement, and measurable/realistic/achievable objectives in place.
- Identify strengths/weaknesses/opportunities/threats by conducting environmental scanning/situational analysis.
- Use available tools/methods for environmental scanning, which may include a SWOT Analysis/Porter's Five Forces Model/PESTLE Analysis/industrial analysis tools.
- Formulate alternative strategies to respond to business challenges.
- Develop/create (an) action plan(s), which includes the tasks to be completed/deadlines to be met/resources to be procured, and so on.
- Organise the business resources and motivate staff.
- Implement selected strategies by communicating them effectively/efficiently/correctly to all stakeholders.
- Continuously evaluate/monitor/assess/measure strategies in order to take corrective action.

### Tip

Option 2 is a simplified version of option 1. However, you must still present your answers in full sentences to avoid losing marks.



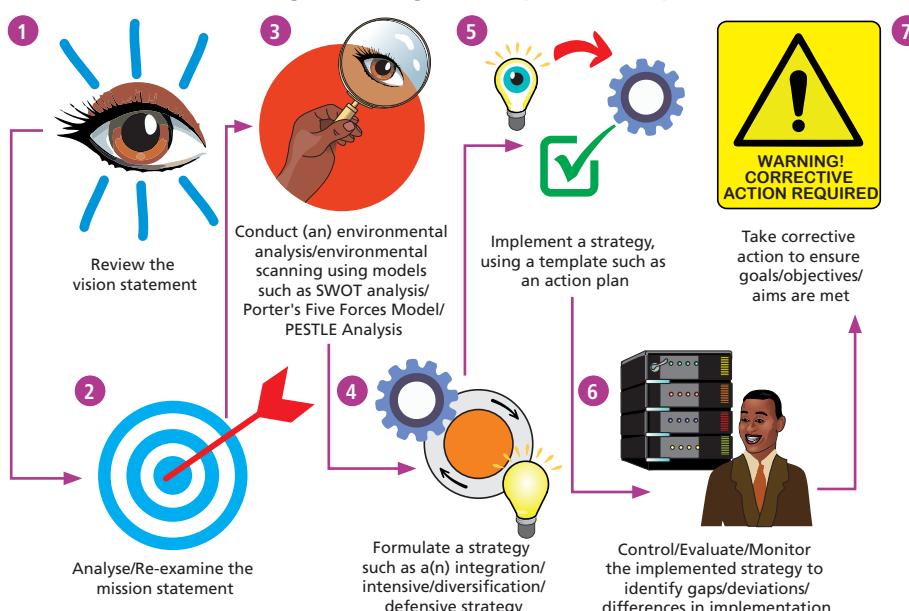
## Option 2

The business must:

- Review/Analyse/Re-examine their vision/mission statement.
- Conduct (an) environmental analysis/environmental scanning using models such as SWOT Analysis/Porter's Five Forces Model/PESTLE Analysis.
- Formulate a strategy such as a(n) integration/intensive/diversification/defensive strategy.
- Implement a strategy, using a template such as an action plan.
- Control/Evaluate/Monitor the implemented strategy to identify gaps/deviations/differences in implementation.
- Take corrective action to ensure goals/objectives/aims are met.

The diagram below can be used to study the strategic management process:

**The strategic management process: Option 2**



**Activity 5.1****Classwork/Homework****QUESTION 1**

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

**JONAS DOUGHNUTS (JD)**

Jonas Doughnuts applied Porter's Five Forces Model to analyse their position in the market. JD formulated alternative strategies in response to their business challenges. JD ensured that the business finance is well managed.

- 1.1.1** Quote TWO ways in which JD applied the strategic management process from the scenario above. (2)
- 1.1.2** Describe other ways in which JD can apply the strategic management process. (8)

[10]

**QR CODE**

Watch the following video for more information about SWOT Analysis:



<https://www.youtube.com/watch?v=JXXHqM6RzZQ>

## Industrial analysis tools

### SWOT analysis

A SWOT analysis is an **industrial analysis tool**/environmental scanning technique that enables a business to study the internal (micro) and external (market and macro) environments of a business. The methodological simplicity of SWOT analysis allows a business to purposefully identify/analyse the strengths and weaknesses of the business, and the opportunities and threats to which the business is exposed. The purpose of a SWOT analysis is, therefore, a strategic plan that is used to identify the factors that influence the functioning of the business/ability of the organisation to reach objectives/goals.

However, it is worth noting that many businesses use a SWOT Analysis to identify internal strengths and weaknesses. On deeper investigation, the business applies the other industrial analysis tools to identify opportunities and threats. The other industrial analysis tools are discussed further on in this unit.

### Unpacking the components of a SWOT analysis

#### Examples of the various components of a SWOT analysis

Strengths	Weaknesses
<b>Examples of strengths</b> <ul style="list-style-type: none"> <li>Internal aspects that the business does well</li> <li>The success of the business/Successful business processes</li> <li>The competitive advantage of the business</li> <li>Product differentiation</li> <li>Unique resources being used by the business</li> <li>Efficient skills/expertise/knowledge of human resources</li> <li>High quality products/services being provided to customers</li> </ul>	<b>Examples of weaknesses</b> <ul style="list-style-type: none"> <li>Internal aspects in which the business is not doing well</li> <li>Inefficient use of organisational resources</li> <li>Resources that are lacking within the business</li> <li>Limitations regarding funding</li> <li>The internal business process that needs improvement</li> <li>Inefficient/weak work ethic</li> <li>Employees arriving late for work</li> <li>Employees unable to work cohesively within a team</li> </ul>

**A New words**

**industrial analysis tool** a specific tool/technique/method/process that is used by a business to analyse a particular business environment/different business environments

**Tip**

The information in the table is provided as enrichment to enhance/improve your understanding of the components of a SWOT analysis, as you may be required to compile a SWOT analysis of a particular business from a given scenario.

**Tip**

The information provided in the table on the right will enable you to compile a SWOT Analysis.



<b>Strengths</b>	cont.	<b>Weaknesses</b>	cont.
<ul style="list-style-type: none"> <li>• The strategic location of the business</li> <li>• Successful marketing campaigns</li> <li>• Sound financial management/budgeting practices</li> <li>• High brand visibility/identity/presence within the market</li> </ul>		<ul style="list-style-type: none"> <li>• Inefficient products/services being provided to customers</li> <li>• High employee attrition/turnover rates</li> <li>• Untrustworthy/inefficient/ineffective organisational culture</li> </ul>	
<b>Opportunities</b>		<b>Threats</b>	
<b>Examples of opportunities</b> <ul style="list-style-type: none"> <li>• Potential trends within the market</li> <li>• Identification of gaps within the market</li> <li>• Foreclosure of competitors</li> <li>• Vacant buildings for expansion opportunities</li> <li>• Upcoming external events for networking</li> <li>• Local government encouraging/supporting SMMEs</li> <li>• Suppliers reducing prices of scarce inputs</li> <li>• Competitors that cannot adapt to customer needs</li> <li>• Competitors that cannot adapt to changing technology</li> <li>• Underserved markets for certain products</li> <li>• Few competitors in the area</li> </ul>		<b>Examples of threats</b> <ul style="list-style-type: none"> <li>• Aggressive competition from competitors</li> <li>• Inefficient suppliers delivering poor quality goods</li> <li>• Inefficient suppliers delivering inputs late</li> <li>• Load shedding/national power outages</li> <li>• Increases in the interest rate</li> <li>• International/world crises such as Covid-19</li> <li>• Economic decline in the country</li> <li>• Social issues such as crime/poverty/unemployment</li> <li>• Changes in technological devices</li> <li>• Environmental degradation</li> <li>• The decline in demand for products/services</li> </ul>	

## SWOT analysis



## Exemplar activity of a SWOT analysis of a particular business from a given scenario

### QUESTION 1

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

#### EBRAHIM INSURERS (EI)

Ebrahim Insurers has a high brand visibility within the market. The demand for insurance services has reduced due to the introduction of Covid-19 vaccinations. Super Insurers that is situated nearby to EI has closed down. Sam the manager contributes toward an ineffective organisational culture.

- 1.1.1 Compile a SWOT analysis for EI from the scenario above.  
Use the table below as a GUIDE to answer QUESTION 1.1.1.

STRENGTH	WEAKNESS
OPPORTUNITY	THREAT

(4)

#### Suggested answer

1.1.2 SWOT analysis of EI (the business)

STRENGTH	WEAKNESS
Ebrahim Insurers (EI) has high brand visibility within the market.	Certain managers contribute towards an ineffective organisational culture.
OPPORTUNITY	THREAT
A competitor in the market has closed down.	The demand for insurance services has declined because of the Covid-19 pandemic.

(4)

### ••| Activity 5.2

### Classwork/Homework

#### QUESTION 1

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

#### UNATHI NONO ENTERPRISES (UNE)

The marketing department of Unathi Nono Enterprises is knowledgeable on current market trends. There is a new upmarket residential area situated close to UNE. Employees however, have a poor work ethic. Inefficient suppliers fail to deliver inputs timeously. Competitors are unable to adapt to consumer demand. During load shedding, UNE suspends operations because of high crime rates. Organisational resources are used inadequately. The business is strategically situated.

**QR CODE**

Watch the following video for more information about Porter's Five Forces Model:



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

**Activity 5.2****Classwork/Homework**

cont.

- 1.1.1** Compile a SWOT analysis for UNE from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

STRENGTHS	WEAKNESSES
1.	1.
2.	2.
OPPORTUNITIES	THREATS
1.	1.
2.	2.

(8)

**A New words**

**competitive strength** the strength of the business in the context of competition in relation to other competitive/rival businesses within the market/industry

**competitive intensity** the degree of competition within the market/industry

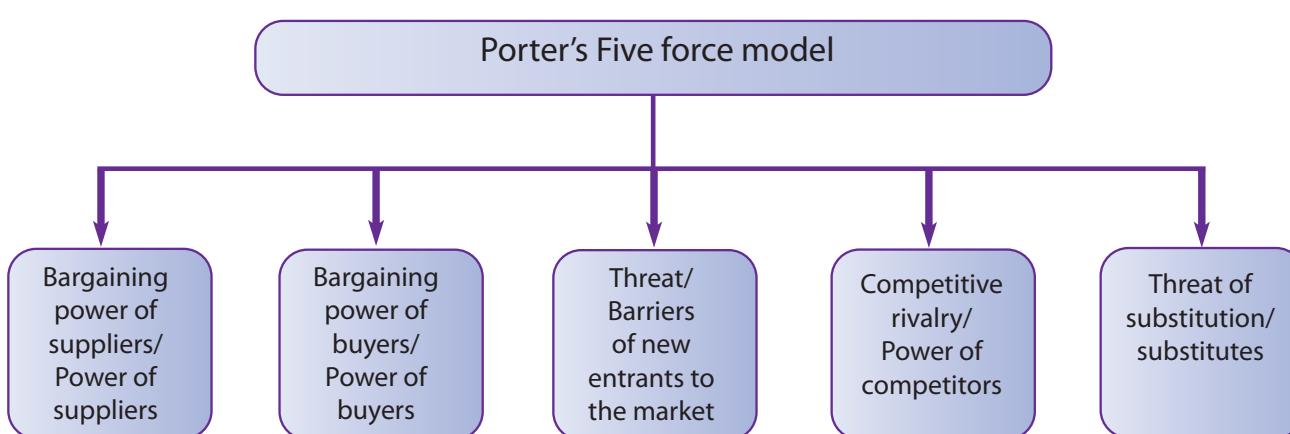
**competitive position** the position of the business is measured against the competitive/rival businesses within the market/industry

**Porter's Five Forces Model**

The Porter's Five Forces Model is an industrial analysis tool that was developed by Michael E. Porter to analyse the position of the business in the market environment. This model is based on the rationale that five forces determine/influence the **competitive strength**/position of the business within the market/industry. It is used by businesses around the world to measure amongst others, profitability/**competitive intensity**/ competitive environment/**competitive position**/attractiveness within the market/industry. Porter's Five Forces Model enables businesses to develop suitable strategies to address challenges posed by the business.

**Application of Porter's Five Forces Model by businesses**

The diagram below illustrates the different components/elements/forces of Porter's Five Forces Model.



Bargaining power of suppliers/ Power of suppliers	<ul style="list-style-type: none"> <li>Suppliers that deliver high quality products may have power over the business.</li> <li>The more powerful the suppliers, the less control the business has over them.</li> <li>Assess/Evaluate the power of the suppliers in influencing prices.</li> <li>Suppliers have a high degree of power when they sell a unique/scarce good/service.</li> <li>Identify the kind of power suppliers have regarding the quality of products/services/reliability/ efficiency/ability to make prompt deliveries, and so on.</li> </ul>
Bargaining power of buyers/Power of buyers	<ul style="list-style-type: none"> <li>A few powerful buyers are often able to dictate their terms/prices to the business.</li> <li>Assess how easy it is for buyers/customers to drive prices down/decrease prices.</li> <li>Determine the number of buyers/the importance of each buyer to the business and the cost of switching to other products.</li> <li>Buyers buying in bulk can bargain/negotiate for prices in their favour.</li> <li>Conduct market research to gather more information about its buyers/customers.</li> </ul>
Threat/ Barriers of new entrants to the market	<ul style="list-style-type: none"> <li>If the barriers to enter the market are low, then it is easy for new businesses to enter the market/industry.</li> <li>Assess/identify and sustain/enhance the barriers to enter the market, which may prevent new business from entering the market/industry.</li> <li>If the business is highly profitable, it will attract potential competitors that want to benefit from high profits.</li> <li>New businesses can quickly/easily enter the market if it takes little time/money/resources to enter the market.</li> <li>If there are a few suppliers of a product/service but many buyers, it may be easy to enter the market.</li> </ul>
Competitive rivalry/ Power of competitors	<ul style="list-style-type: none"> <li>Competitors selling the same/similar products/services may have a greater impact on the market of the business.</li> <li>If competitors have a unique/scarce product/service, then they will have greater power.</li> <li>A business with many competitors in the same market has very little power in its market/industry.</li> <li>Compile/Draw up a <b>competitor's profile</b> so that they can determine their own strength and that of their competitors.</li> <li>Some businesses have the necessary resources/capital to start <b>price wars</b> and continue selling at a loss until some/all competitors leave the market.</li> </ul>
The threat of substitution/ substitutes	<ul style="list-style-type: none"> <li>Establish/Determine whether the sellers of substitute products have improved/enhanced their product/sell lower quality goods at lower prices.</li> <li>If the business's product can be easily substituted, it weakens/reduces the power of the business in the market.</li> <li>If the business sells unique/scarce products it will not be threatened/influenced by substitute products.</li> <li>Assess if customers are using substitute products/services and determine reasons for using substitutes.</li> <li>Change/improve the design/quality/efficiency of their products/services to remain competitive.</li> </ul>

**Tip**

The focus of Porter's Five Forces Model is on how the business should apply EACH force, rather than providing descriptions/definitions of the forces.

**A New words**

**power of suppliers** the ability of suppliers to increase the price of the supplied product/service

**power of buyers** the ability of buyers to influence the business to decrease/drop the price of the product/service

**barriers of new entrants to the market** the existing barriers that prevent new entrants from entering the market successfully

**power of competitors** the degree/amount of power of existing/current competitors within the market

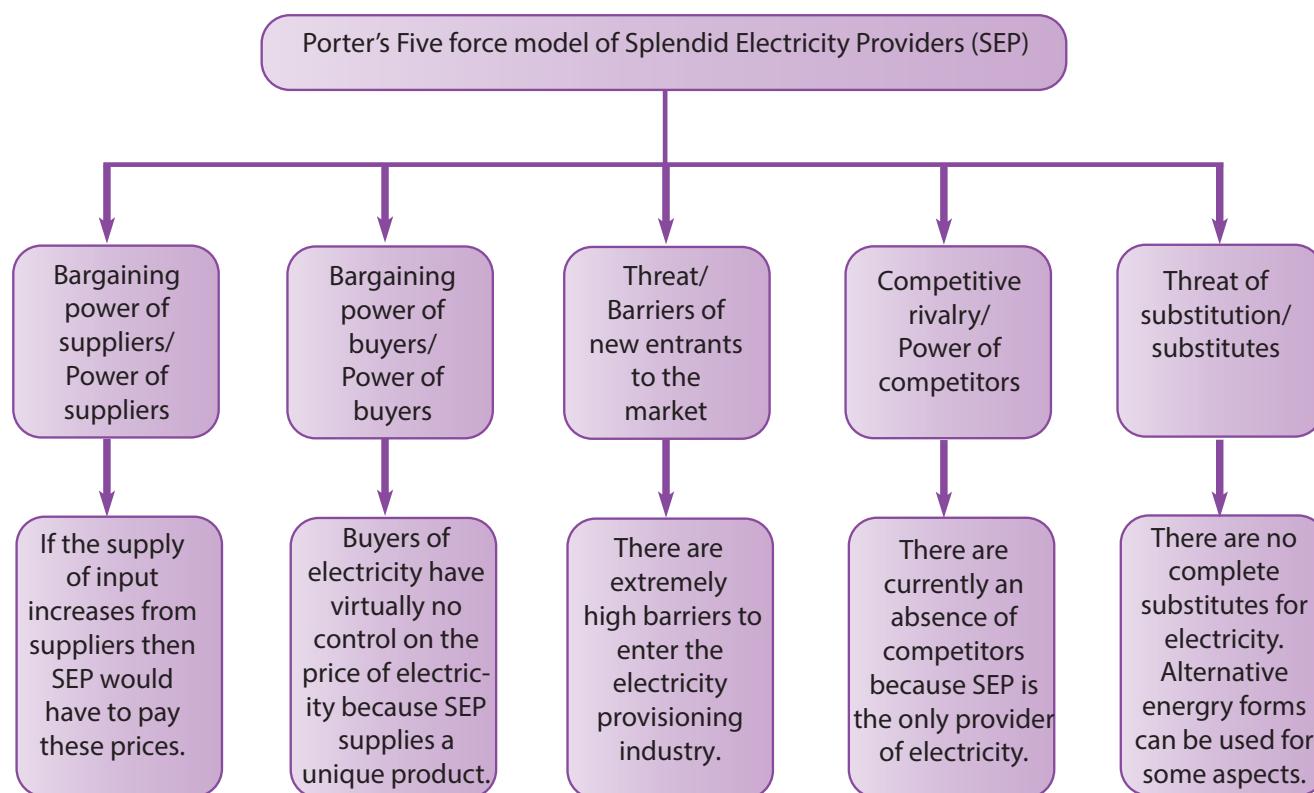
**threat of substitution** the ease at which the product/service of the business can be replaced by a cheaper/inferior alternative

**competitor's profile** the systematic gathering of data of a competitor that the business uses to enhance its competitive position

**price wars** a competitive strategy used by a business to purposefully lower prices to reduce the ability of competitors to charge lower prices/drive competitors out of the industry/gain and retain customers

## Exemplar of Porter's Five Forces Model

The following illustration is provided to further illustrate the application of Porter's Five Forces Model.


**Tip**

The above exemplar is provided with the notion that Splendid Electricity Providers (SEP) is the only electricity supplier in the country.


**Activity 5.3**
**Classwork/Homework**
**QUESTION 1**

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

**PROTECH DRONERS (PD)**

Protech Droners is unable to provide droning services due to high start-up costs and complicated licencing procedures. Customers have already prepaid PD for these services.

- 1.1.1** Identify the element of Porter's Five Forces model that affects PD. Motivate your answer by quoting from the scenario above. (3)
- 1.1.2** Explain how PD can apply any other THREE forces/elements of Porter's Five Forces model that can be used to analyse their position in the market. (9) [12]

## PESTLE analysis

PESTLE analysis is an industrial analysis tool/environmental scanning technique that is used to identify and evaluate the factors that pose challenges in the external environment (macro environment). This tool enables businesses to identify challenges posed by the external environment and develop ways to deal with these challenges. Businesses that apply PESTLE analysis can respond quickly to challenges posed by the external environment. The correct application of the PESTLE analysis factors ensures that the business remains competitive/sustainable/profitable in the market.

### Examples of PESTLE factors

The following table shows examples of each PESTLE factor. The illustration is provided as enrichment to enhance your understanding/interpretation of PESTLE Analysis. Below is a short reminder on the PESTLE factors that you learned in Grade 10.

PESTLE factor	Description	Examples
Political	These factors determine the extent to which the state/government may influence the economy/certain industry.	<ul style="list-style-type: none"> <li>• Political stability/instability</li> <li>• Foreign trade policy</li> <li>• National Competition policy</li> </ul>
Economic	These factors are determinants of the performance of the economy that impacts directly on the business.	<ul style="list-style-type: none"> <li>• Economic growth/economic stability</li> <li>• Exchange rates</li> <li>• Inflation rates (prime rate and repo rate)</li> </ul>
Social	These factors depict/portray/assess the state of the social environment of the business that may influence its operations.	<ul style="list-style-type: none"> <li>• Demographics of consumers</li> <li>• Income/wealth distribution</li> <li>• Education level/literacy level</li> </ul>
Technological	These factors pertain to everchanging/innovative/updated technology that may affect the operations of the business and the market favourably/unfavourably.	<ul style="list-style-type: none"> <li>• Level of technological innovation</li> <li>• Access to new technology</li> <li>• Internet/communication infrastructure</li> </ul>
Legal	These factors reflect/indicate the various laws/Acts/policies that affect the operations of the business.	<ul style="list-style-type: none"> <li>• Labour/employment laws</li> <li>• Copyright/patent laws</li> <li>• Privacy and data protection laws</li> </ul>
Environmental	These factors indicate/highlight the various ecological/environmental aspects that may influence the operations of the business.	<ul style="list-style-type: none"> <li>• Climate/climate change/global warming</li> <li>• Carbon footprint reduction</li> <li>• Environmental sustainability/conservation/preservation</li> </ul>

### QR CODE

Watch the following video for more information about PESTLE Analysis:



<https://www.youtube.com/watch?v=bYn4Cyl3r5w>

**Tip**

You should have a thorough understanding of the challenges and recommendations of the various PESTLE factors. Ensure that your recommendation links with a specific challenge as illustrated in the tables that follow.



## Challenges posed by PESTLE factors and recommendations

### PESTLE factor: Political

Challenges	Recommendations
<ul style="list-style-type: none"> <li>Some government policies may affect businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Research/apply recent government policies.</li> </ul>
<ul style="list-style-type: none"> <li>Consumer rights organisations may prevent businesses from selling products if they do not meet certain requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Network/lobby with the NGOs/CBOs and all consumer rights organisations.</li> </ul>
<ul style="list-style-type: none"> <li>Trade agreements may prevent businesses from importing some medicine/products.</li> </ul>	<ul style="list-style-type: none"> <li>Trade only with countries that have favourable trade agreements with the government.</li> </ul>
<ul style="list-style-type: none"> <li>The National Competition Policy of South Africa may influence the operations of a business.</li> </ul>	<ul style="list-style-type: none"> <li>Investigate/adhere to/comply with the National Competition Policy.</li> </ul>

### PESTLE factor: Economic

Challenges	Recommendations
<ul style="list-style-type: none"> <li>High inflation/interest rates may negatively impact business/decrease the market share of business as customers cannot afford high prices/increases in taxes lowers consumer spending.</li> </ul>	<ul style="list-style-type: none"> <li>Consider decreasing profit margins rather than increasing product prices.</li> </ul>
<ul style="list-style-type: none"> <li>Loans may be expensive because of high interest rates.</li> </ul>	<ul style="list-style-type: none"> <li>Borrow money from financial institutions when interest rates are favourable.</li> </ul>
<ul style="list-style-type: none"> <li>Fluctuations in foreign currency may restrict imports.</li> </ul>	<ul style="list-style-type: none"> <li>Consider exchange rates when trading with other countries./Trade with countries with a favourable exchange rate.</li> </ul>
<ul style="list-style-type: none"> <li>Decreases in foreign direct investment by important foreign investors.</li> </ul>	<ul style="list-style-type: none"> <li>Provide shares at competitive/lower prices to attract more foreign direct investment.</li> </ul>

**PESTLE factor: Social**

<b>Challenges</b>	<b>Recommendations</b>
• Customers may not be able to afford products because of low income levels/ retrenchment/ unemployment.	• Sell substitute products at lower prices due to low levels of income distribution/Employ people from the local community.
• Businesses may not be conversant with the local/indigenous language of their customers.	• Learn local/indigenous languages/hire employees who are well conversant with the local/indigenous language of customers.
• High crime rates may affect the trading hours of businesses resulting in decreased profit.	• Work together with community police forums and improve security in the business.
• Some businesses may lose sales as customers may prefer to spend their money on medical bills/expenses.	• Develop/produce/incorporate/innovate new products that aim to address the lifestyle attitudes/trends of customers.

**PESTLE factor: Technological**

<b>Challenges</b>	<b>Recommendations</b>
• May not keep up with/be aware/stay abreast of the latest technology.	• Conduct continuous research on the latest available technology/equipment in the market.
• Employees may not be skilled to operate/maintain new technology/equipment.	• Train existing/appoint new employees to maintain/use new equipment/technology.
• Businesses may not be able to afford new technology.	• Compare prices>Select suitable suppliers for new equipment/machinery/technology at reasonable prices.
• May not be able to cater for/afford/ have access to online transactions/e-commerce.	• Businesses must be geared for online trading/e-commerce.

**PESTLE factor: Legal**

<b>Challenges</b>	<b>Recommendations</b>
• Consider the implication of the various Acts that may have a direct impact/influence on a business, for example, the CPA/BCEA.	• Comply with all relevant legislation that may impact businesses.
• Legal requirements for operating certain types of businesses are time-consuming.	• Comply with the legal requirements for operating businesses, for example, licence/trademark registration/patents.
• High legal costs involved in obtaining a licence/trademark/patent/copyright may prevent some establishments.	• Budget for high legal establishment/start-up costs.
• Legalities of business contracts may limit business operations.	• Businesses must know/understand the legalities of business contracts so that they comply with all the requirements.

**PESTLE factor: Environmental**

Challenges	Recommendations
<ul style="list-style-type: none"> <li>Chemicals/Ingredients in business' products may be harmful to consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Chemicals/Ingredients should be indicated on labels/packaging to inform customers about possible side effects/correct use of products/disclose the ingredients/origin of the product to consumers.</li> </ul>
<ul style="list-style-type: none"> <li>Measures to dispose of business waste may be expensive.</li> </ul>	<ul style="list-style-type: none"> <li>Implement cost-effective measures to dispose of medical waste.</li> </ul>
<ul style="list-style-type: none"> <li>Packaging of some products may not be environmentally friendly/may not be recyclable.</li> </ul>	<ul style="list-style-type: none"> <li>Implement recycling measures to prevent pollution of the environment./ Use packaging that is reusable/recyclable/bio-degradable.</li> </ul>
<ul style="list-style-type: none"> <li>The business may not be aware that its current practices are environmentally unsustainable/contribute towards environmental degradation.</li> </ul>	<ul style="list-style-type: none"> <li>Engage in environmentally sustainable practices such as the conservation/preservation of natural resources.</li> </ul>

**Activity 5.4 Classwork/Homework****QUESTION 1**

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

**AGATHA INDUSTRIAL SUPPLIERS (AIS)**

Agatha Industrial Suppliers is not operating profitably due to the following challenges:

- Enterprise and Supplier Development (ESD) as one of the pillars of BBBEE limits the operations of AIS.
- Measures to dispose of business waste is expensive.
- The high inflation rate has meant that demand for products have declined.
- Some of their employees lack the skills to use new technology.
- Imports for main raw materials have been paused because of trade agreements.
- AIS is not conversant with the local language of consumers.

Use the table below as a GUIDE to answer QUESTION 1.1.1 – 1.1.3.

CHALLENGES (1.1.1)	PESTLE FACTORS (1.1.2)	RECOMMENDATIONS (1.1.3)
1.		
2.		
3.		
4.		
5.		
6.		

**1.1.1** Quote SIX challenges for AIS from the scenario above. (6)

**1.1.2** Classify EACH challenge identified in QUESTION 1.1.1 according to a relevant PESTLE factor. (6)

**1.1.3** Recommend ways in which AIS can deal with the challenges posed by EACH PESTLE factor, identified in QUESTION 1.1.2. (12)  
[24]

# Unit 5.2 Business strategies

Now that the business has identified the various challenges from conducting environmental scanning using the THREE industrial analysis tools, they will now be in a better position to develop and implement the various types of business strategies.

Business strategies serve as a guideline on how businesses should remain sustainable in a particular market. The correct application of any type of business strategy depends on the challenges that were identified during the strategic management process.

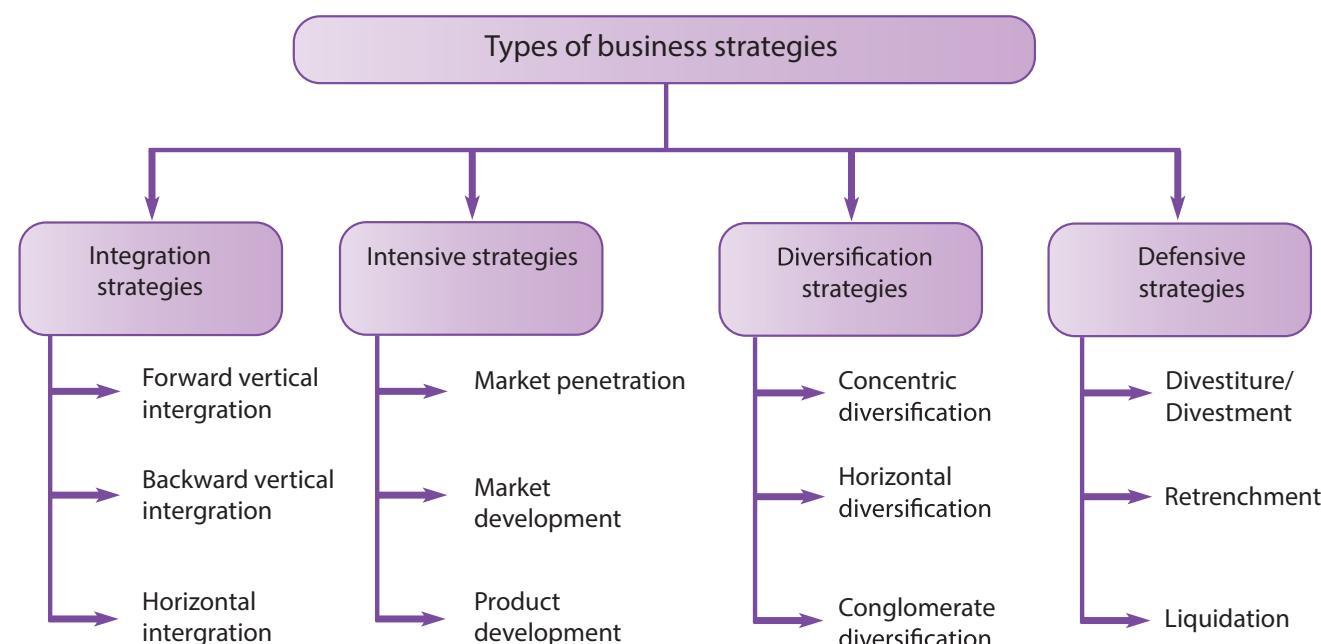
The diagram below illustrates the FOUR main types of business strategies that will be dealt with in this unit.

## QR CODE

Watch the following video for more information about types of strategies:



<https://www.youtube.com/watch?v=sp0W5hcOd40>



## Integration strategies

A business uses **integration strategies** to expand/extend its scope of business operations. It occurs when a business integrates its activities with another business/other businesses. Integration strategies allow a business to improve its supply/distribution channel/reduce operating costs/control competition. It can be used by a business to combine resources effectively/access new markets/obtain control over suppliers/distributors.

### Tip



You must be able to explain the three types of strategies that can be classified under EACH main type of business strategy as illustrated in the diagram above.

### A New words

**integration strategies** used by businesses to gain control over suppliers/distributors/competitors

**distributors** businesses that sell goods/services to user-end/final consumers

**supply chain/production chain** refers to all the steps/processes required to get the product to the customer through the primary, secondary, and tertiary business sectors

**distribution system** the sequential flow of activities/systems/procedures facilitates the movement of products/services from the source to end-user/final consumers

**suppliers** businesses that provide inputs/raw materials/semi-finished goods/products to the business

**market share** the portion of the market/customers to which the business sells products/services

### Types of integration strategies

#### Forward vertical integration

- The business combines/merges with/takes over its **distributors** down the **supply chain/production chain**.
- It involves the expansion of business activities to gain control over the distribution of products/services.
- The business takes over the **distribution system** and sells products/services directly to consumers/customers.
- The business merges with businesses that were once their customers, while still maintaining control of the initial/primary business activities.

#### Backward vertical integration

- The business combines with/merges/takes over its **suppliers** up the supply chain/production chain.
- This is done to decrease the business's dependency on suppliers.
- The business expands its role to fulfil activities/tasks that were formerly/Previously completed by suppliers.
- It involves buying over/merging with another business that supplies products/services to the business.

#### Horizontal integration

- The business takes control of/incorporates/merges with other businesses in the same/related industry that produce/sell the same/similar products.
- The aim is to reduce the threat of competition/substitute products/services.
- The business can strengthen/expand its **market share**/position and enhance production/distribution.
- It is the acquisition/takeover of a related business that operates at the same level of the supply chain in the industry.

The illustration on page 131 shows forward vertical integration and backward vertical integration for the supply chain/production chain of tinned peas.



### QR CODE

Watch the following video for more information about integration strategies:



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

#### Landman Farmers (LF)

Landman Farmers plants, grows, and harvests fresh garden peas, and other vegetables.

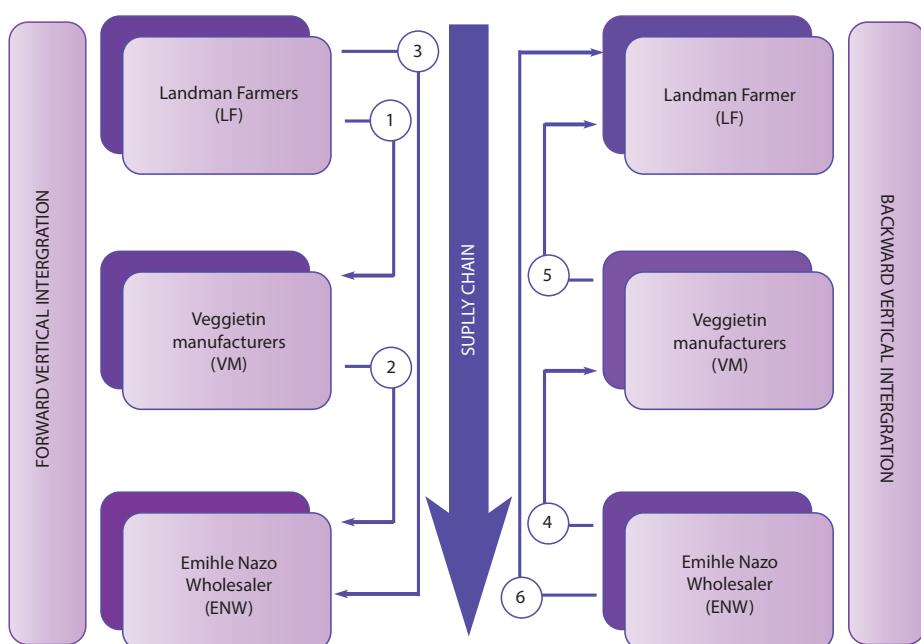
#### Veggietin Manufacturers (VM)

Veggietin Manufacturers specialises in the production of tinned vegetable products, including tinned peas.

#### Emihle Nazo Wholesalers (ENW)

Emihle Nazo Wholesalers sells a variety of final goods, such as tinned peas, to retailers in bulk.

## Description of businesses illustrated below



- Illustration of forward vertical integration and backward vertical integration

## Explanation of forward vertical integration based on the illustration

1. Should LF takeover/merge with VM, it will be regarded/considered as forward vertical integration because LF is buying over its distributor down the supply chain/production chain.
2. Should VM takeover/merge with ENW, it will be regard/considered as forward vertical integration because VM is buying over its distributor down the supply chain/production chain.
3. Should LF takeover/merge with ENW, it will be regarded/considered as forward vertical integration because LF is buying over its distributor down the supply chain/production chain.

### Tip

Forward vertical integration focuses on buying over distributors, whereas backward vertical integration focuses on taking over suppliers.

## Explanation of backward vertical integration based on the illustration

4. Should ENW takeover/merge with VM, it will be regarded/considered as backward vertical integration because ENW is buying over its supplier up the supply chain/production chain.
5. Should VM takeover/merge with LF, it will be regarded/considered as backward vertical integration because VM is buying over its supplier up the supply chain/production chain.
6. Should ENW takeover/merge with LF, it will be regarded/considered as backward vertical integration because ENW is buying over its supplier up the supply chain/production chain.



## QR CODE

Watch the following video for more information about intensive strategies:



<https://www.youtube.com/watch?v=ht5chMhWynw>

## A New words

**intensive** rigorous/thorough/severe/concentrated efforts/actions applied by the business

**intensive strategies**

intensive strategies require intensive efforts by the business to improve its competitive advantage/position with existing or new products in the market, to increase/improve the profitability of the business

**Tip**

Market development is about the **place** where the business sells its existing product. Market development therefore focuses on **place**.

**Tip**

Product development is about the **product** itself and the product does not yet exist. Product development therefore focuses on the **product**.

## Activity 5.5

## Classwork/Homework

## QUESTION 1

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

## NDOU GARDEN SERVICES (NGS)

Ndou Garden Services wants to gain a competitive advantage in the market. NGS decided to take over Pristine Gardening to reduce the threat of competition.

- 1.1.1 Identify the type of integration strategy applied by NGS. Motivate your answer by quoting from the scenario above. (3)
- 1.1.2 Discuss TWO other integration strategies that could be applied by NGS. (6) [9]

## Intensive strategies

Successful businesses always find ways to increase sales and establish new outlets.

**Intensive strategies** require businesses to make additional efforts to improve the performance of existing products in the market. Businesses usually conduct extensive sales promotion and marketing campaigns when applying various types of intensive strategies. They use these strategies to expand their product lines/scale of operations/market share.

## Types of intensive strategies

<b>Market penetration</b>	<ul style="list-style-type: none"> <li>• The business focuses on selling existing/current products into the existing/current market to increase their market share.</li> <li>• Market research on existing/current consumers/customers is used to determine how to improve the marketing mix of the business.</li> <li>• Aggressive marketing campaigns such as lowering/reducing prices to attract potential/existing clients are used by the business.</li> <li>• The business does not modify existing/current products or launch new products during market penetration.</li> </ul>
<b>Market development</b>	<ul style="list-style-type: none"> <li>• The business uses this growth strategy to sell its existing/current products in new markets/geographical areas.</li> <li>• Consumers/customers are targeted in a potential market that is outside of its normal/regular/current target market.</li> <li>• The business increases sales of existing/current products through the development of new markets.</li> <li>• Prices are restructured/reviewed to cater to customers/consumers of all income levels.</li> </ul>
<b>Product development</b>	<ul style="list-style-type: none"> <li>• The business uses this growth strategy to introduce new products into existing/current markets.</li> <li>• New ideas/products are generated/produced by the business for existing/current markets.</li> <li>• The business conducts test marketing/market research to establish whether new products will be accepted by existing customers.</li> <li>• New products may be different/of a higher quality than those of competitors.</li> </ul>

## Differences between market development and product development

Market development	Product development
<ul style="list-style-type: none"> <li>It is a growth strategy where a business aims to sell its existing/current products in new markets.</li> </ul>	<ul style="list-style-type: none"> <li>It is a growth strategy where a business aims to introduce new products into existing/current markets.</li> </ul>
<ul style="list-style-type: none"> <li>The business implements the idea of expanding/selling products in other geographical areas.</li> </ul>	<ul style="list-style-type: none"> <li>The business improves/enhances the product line by adding different types of related products/services.</li> </ul>
<ul style="list-style-type: none"> <li>The business finds new ways of distributing products.</li> </ul>	<ul style="list-style-type: none"> <li>The business conducts test marketing/market research to establish whether new products will be accepted by existing customers.</li> </ul>
<ul style="list-style-type: none"> <li>Prices are restructured/reviewed to cater to customers/consumers of all income levels.</li> </ul>	<ul style="list-style-type: none"> <li>New products may be different/of a higher quality than those of competitors.</li> </ul>



### Tip

It is important to have a sound conceptual understanding of the various strategies that a business may apply. Sometimes you may be asked to differentiate between two types of strategies. The differences do not have to be presented in a table, but the differences must be clear.

## Advantages of intensive strategies

The business may experience a(n)/can:

- Increased/enhanced/improved market share as intensive strategies reduces the business's vulnerability to the actions of competitors.
- Increase in sales/revenue/income/profitability because of aggressive advertising campaigns/because more products/services are being sold.
- Improve service delivery which may improve business image/brand/brand awareness.
- Increase the control over the prices charged for products/services.
- Increase customer loyalty through effective promotion campaigns.
- Decrease prices that may influence customers/consumers to buy more products/services.
- Increase in regular sales from existing customers/consumers that may increase.
- Remove existing competitors and dominate market prices.
- Improve the focus on markets/well-researched quality products that satisfy the needs of customers/consumers.



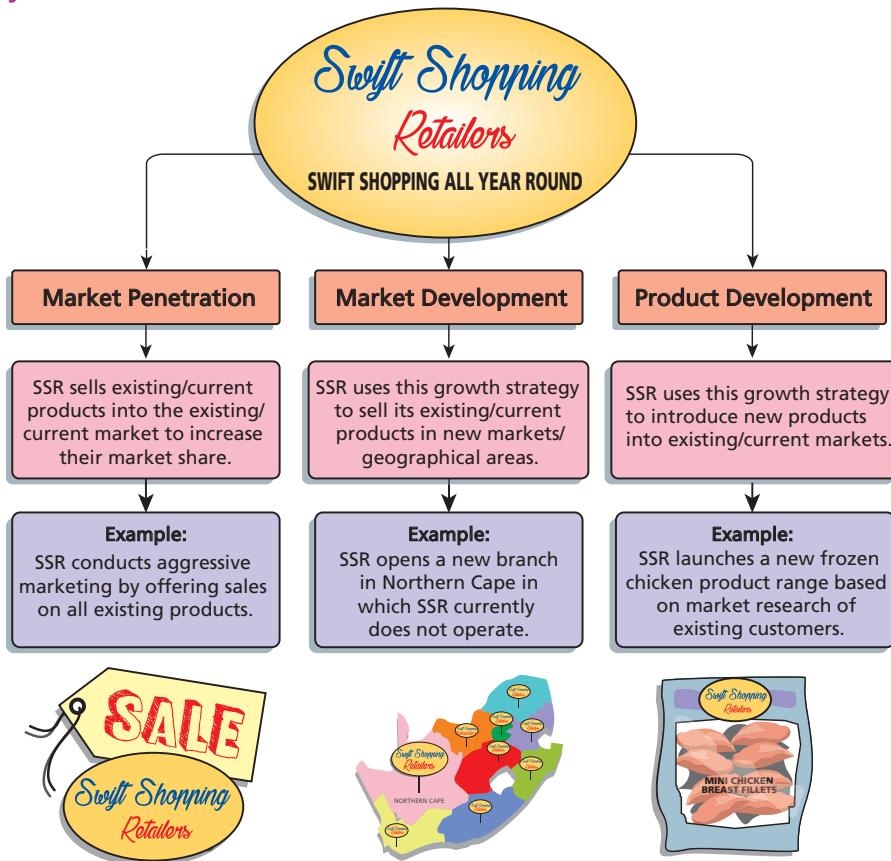
### Tip

You need to first understand the different types of intensive strategies in order to understand the advantages of intensive strategies.

**Tip**

The illustration on the right is provided as enrichment to enhance your understanding of the various intensive strategies that may be applied by a business.

### **i Illustration of the types of intensive strategies applied by a business**



### **Activity 5.6 Classwork/Homework**

#### **QUESTION 1**

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

#### **DURBAN FRIED CHICKEN (DFC)**

Durban Fried Chicken has lowered the prices of their products to increase the market share. The success of the business has led to DFC opening a new branch in Mpumalanga.

- 1.1.1** Identify TWO types of intensive strategies applied by DFC. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

INTENSIVE STRATEGIES	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2** Explain the other intensive strategy that could be applied by DFC. (3)

- 1.1.3** Advise the management of DFC on the advantages of intensive strategies. (6)

[15]

## Diversification strategies

**Diversification strategies** are used by businesses to expand operations into markets/industries that it has not currently explored. It enables the business to expand its market share/enter new markets to explore new sales avenues/achieve greater profitability. It affords the business extensive opportunities to improve its brand identity/boost brand image. Diversification strategies are used as a purposeful mechanism to potentially minimise/reduce current market/**industry downturn**/protect the business from strong competitors.

### Types of diversification strategies

<b>Concentric diversification</b>	<ul style="list-style-type: none"> <li>The business adds new products/services that are related to existing/current products/services but will appeal to new customers/consumers.</li> <li>Occurs when a business wants to increase/expand/progress its product range and markets.</li> <li>The business creates a new product that is technologically similar to existing/current products that are aimed at new customers/consumers/markets.</li> <li>Occurs when a business uses existing infrastructure/organisational resources/expertise to create products with some degree of similarity but with clear differentiation from existing/current products.</li> </ul>
<b>Horizontal diversification</b>	<ul style="list-style-type: none"> <li>The business adds new products/services that are unrelated to existing/current products, but which may appeal to existing/current customers/consumers.</li> <li>Occurs when a business acquires/merges with a business that is at the same production stage, but it may offer a different product.</li> <li>The business extends the production of products/services above/beyond the market/industry in which it currently operates.</li> <li>Occurs when the business increases its development potential/extends its brand and significantly reduces risk as the new products are aimed at existing customers/consumers.</li> </ul>
<b>Conglomerate diversification</b>	<ul style="list-style-type: none"> <li>The business adds new products/services that are unrelated to existing products which may appeal to new groups of customers.</li> <li>Occurs when the business operates multiple product lines/business entities for entirely different industries/consumers/customers.</li> <li>The business grows into new products/services and markets.</li> <li>Occurs when the business can increase overall product/service flexibility/proficiency by extending activities to unexplored/untapped/unfamiliar markets.</li> </ul>

### Advantages of diversification strategies

The business may experience a(n)/can:

- Increase in sales/revenue/income and business growth.
- Sustained profitability from different product lines during times of fluctuating economic activity.

### A New words

**diversification**

**strategies** used to expand/extend business operations by adding products/services/markets/stages of production of the existing business into new markets/market segments

**industry downturn** the general slowdown in business activity within a particular industry/market mainly because of a decline in sales



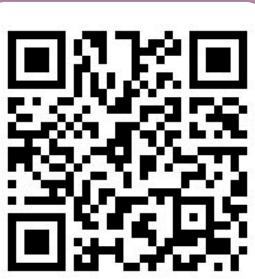
#### Tip

ALL diversification strategies focus on adding new products. However, the manner in which the business ADDS these new products differs.



### QR CODE

Watch the following video for more information about diversification strategies:



<https://www.youtube.com/watch?v=HuJ2456qqDk>



#### Tip

It is ONLY concentric diversification that focuses on related products.



#### Tip

Horizontal and conglomerate diversification BOTH focus on adding unrelated products to existing products. However, the target audience differs.

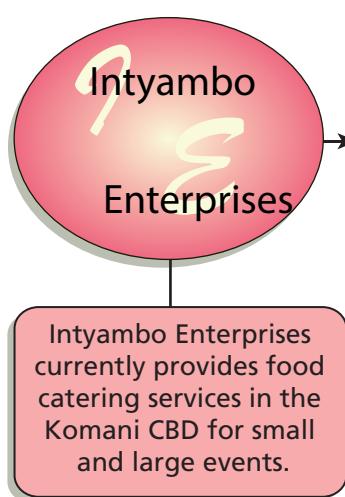
### Tip

You need to first understand the different types of diversification strategies in order to understand the advantages of diversification strategies.

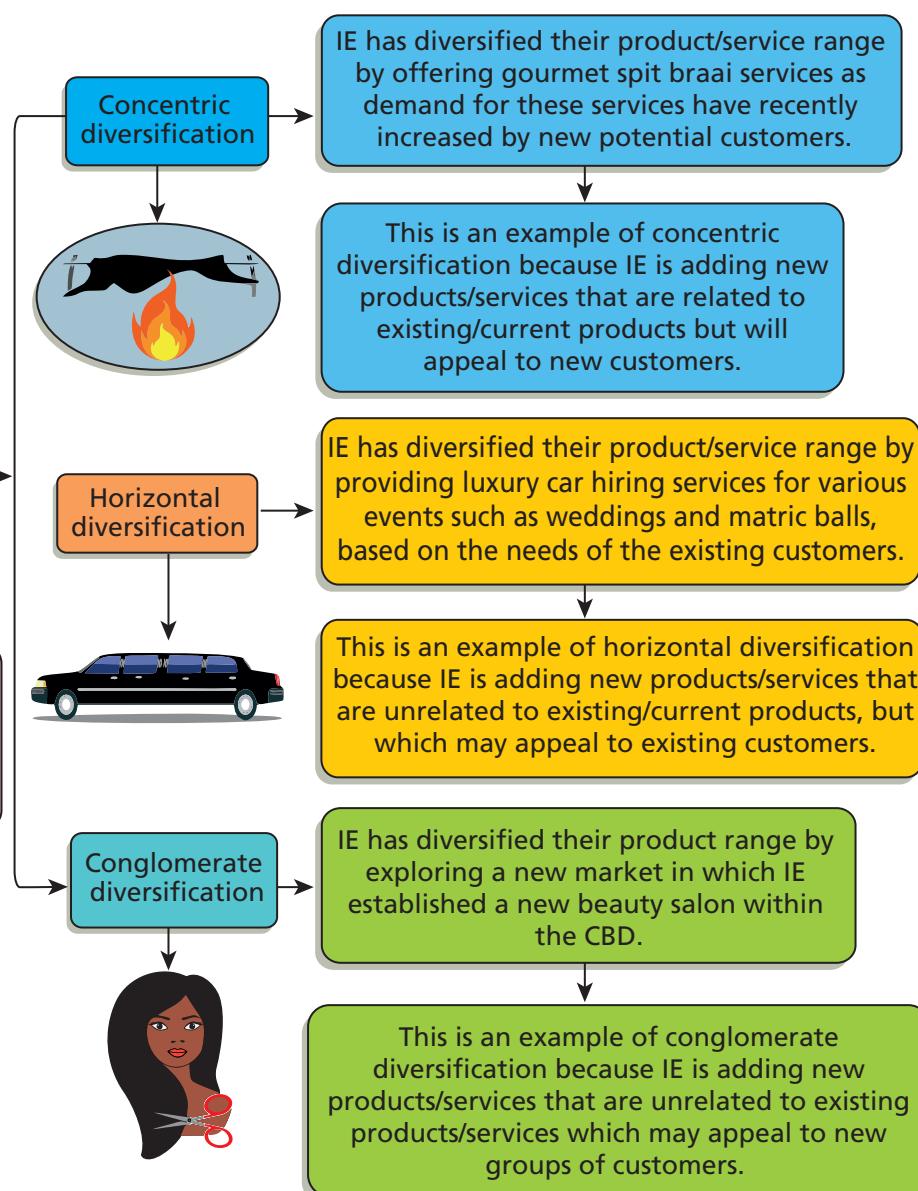
- Increase in the number of products being sold to existing/new customers/consumers.
- Establish additional new markets in unrelated markets/industries.
- Gain more technological capabilities through product modification.
- Improve brand/image/brand awareness of the business.
- Reduce the risk of relying only on one product for sales/revenue/income.
- Retain its competitive advantage by meeting the needs of current/new customers/expanding into new unexplored markets.
- Remain relevant/functional/operational in the context of ever-changing business environments.

### Tip

The illustration below is provided as enrichment to enhance your understanding of the types of diversification strategies that may be applied by a business.



### Illustration of the types of diversification strategies applied by a business



**Activity 5.7****Classwork/Homework****QUESTION 1**

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

**BOKANG DESIGNERS (BD)**

Bokang Designers specialises in selling clothing for teenagers. BD decided to add a new clothing line for toddlers to attract new customers.

- 1.1.1** Identify the type of diversification strategy applied by BD. Motivate your answer by quoting from the scenario above. (3)
- 1.1.2** Explain TWO other types of diversification strategies that could be applied by BD. (3)
- 1.1.3** Discuss the advantages of diversification strategies. (6)

[15]

**A New words**

**defensive strategies** the business uses defensive strategies to defend the existence/survival/operations of the business during times of financial difficulty/turmoil/ defend itself from competitors

**operational reasons** decisions are taken by the business to ensure that regular/current/existing operations may continue to exist

**Defensive strategies**

The business applies **defensive strategies** when experiencing financial instability/difficulty due to unstable economic conditions. The business may be required to make difficult decisions that affect its future/growth/ survival. Defensive strategies are used to avoid/prevent the business from closing down. It is also used by the business to protect itself from suffering a potential loss of sales/income/market share.

**Types of defensive strategies**

<b>Divestiture/Divestment</b>	<ul style="list-style-type: none"> <li>• The business disposes/sells some assets/divisions that are no longer profitable/productive/functional/relevant.</li> <li>• Selling off divisions/product lines with slow growth potential/Paying off debts by selling unproductive assets.</li> <li>• The business decreases the number of shareholders by selling ownership.</li> <li>• Shareholders withdraw their investment share in another business (divesting).</li> </ul>
<b>Retrenchment</b>	<ul style="list-style-type: none"> <li>• The business terminates the employment contracts of employees for operational/structural/restructuring reasons.</li> <li>• Decreasing the number of product lines/Closing certain departments resulting in some workers becoming redundant/obsolete.</li> <li>• This is an aggressive strategy where management takes bold decisions by letting go of employees to reduce operational costs/expenses.</li> <li>• Through retrenchment, the business can reduce prices/offer discounts/incentives for customers/consumers.</li> </ul>
<b>Liquidation</b>	<ul style="list-style-type: none"> <li>• The business sells all assets to pay creditors due to a lack of capital/the inability to repay creditors/bankruptcy.</li> <li>• Selling the entire business to pay shareholders a fair price for their shares upon the closure of the business.</li> <li>• The process of liquidation allows creditors to apply for forced liquidation to have their claims settled.</li> <li>• It is a(n) unpleasant process of bringing business activities to an end/last resort to repay creditors.</li> </ul>

**Tip**

Businesses will first start with a type of defensive strategy that is easy to apply such as divestiture, by selling some assets that are no longer profitable.

**Tip**

The business is now forced to apply retrenchment if divestiture efforts were unsuccessful.

**Tip**

The last defensive resort is to declare insolvency, by closing down the business so that existing debt can still be repaid.

**Tip**

Remember that with divestiture, the business sells SOME assets/parts of the business and still remains operational. This means that not all assets are sold. Whereas with liquidation, the business closes down and ALL assets are sold. Know the difference.

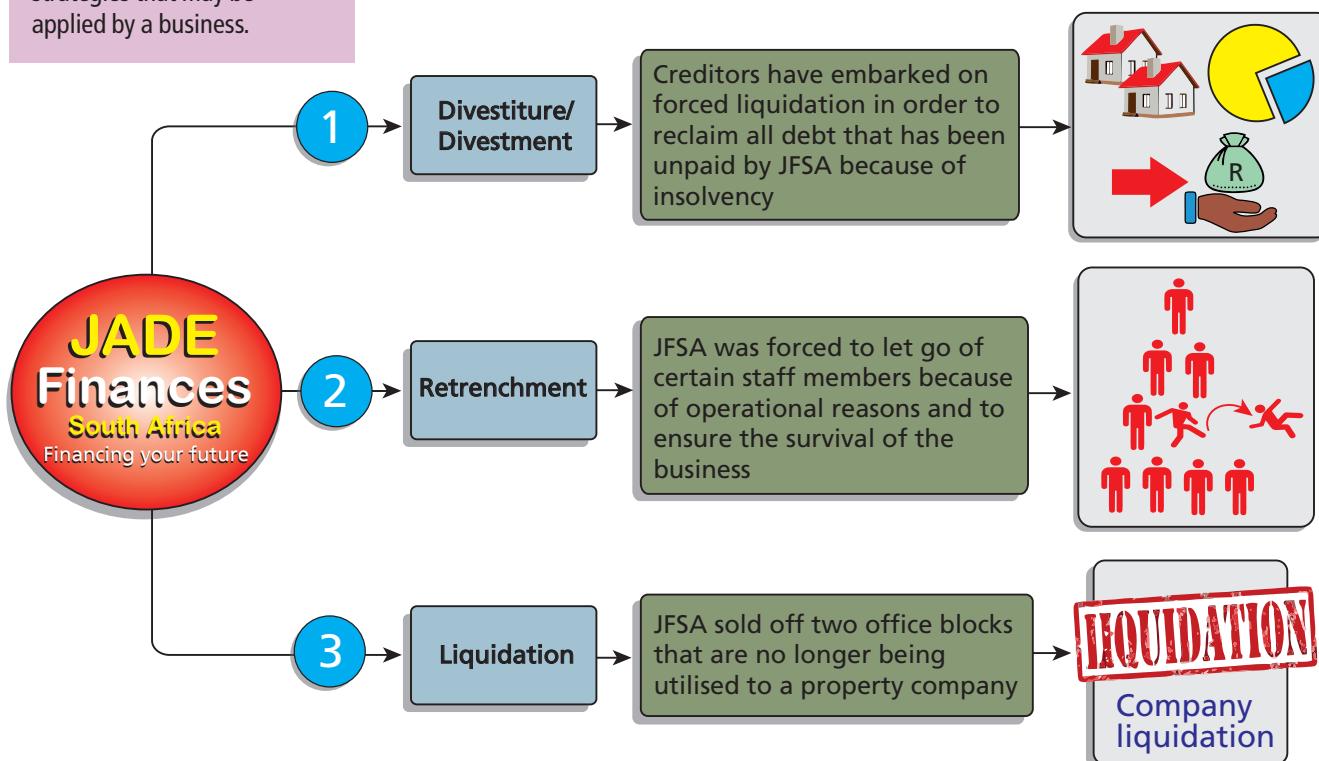


**Tip**

The following illustration is provided as enrichment to enhance your understanding of the types of defensive strategies that may be applied by a business.



### Illustration of the types of defensive strategies applied by a business

**QR CODE**

Watch the following video for more information about defensive strategies:



[https://www.youtube.com/watch?v=eJbw\\_4XAdWA](https://www.youtube.com/watch?v=eJbw_4XAdWA)

**Activity 5.8****Classwork/Homework****QUESTION 1**

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

**NEWMAN PHOTOGRAPHY (NP)**

Newman Photography applied for a loan to cover operational costs. The employment contracts of certain employees were terminated due to a decrease in the number of product lines. Some of NP's assets that were no longer functional were sold. NP finally decided to sell their assets to repay creditors.

- 1.1.1** Identify THREE types of defensive strategies applied by NP. Motivate your answer by quoting from the scenario above.  
Use the table below as a GUIDE to answer QUESTION 1.1.1.

DEFENSIVE STRATEGIES	MOTIVATIONS
1.	
2.	
3.	

(9)  
[9]

## Strategy evaluation

The business must continuously evaluate strategies to change/adapt them according to the current demands of the market/industry. Strategy evaluation enables a business to keep/remain abreast with changes in the business environment. It allows a business to evaluate/assess whether the intended strategy is serving its purpose.

### Steps in strategy evaluation

- 1** Examine/Assess the underlying basis of a business strategy.
- 2** Look forward and backwards into the implementation process.
- 3** Compare the expected performance with the actual performance.
- 4** Measure the business performance in order to determine the reasons for deviations and analyse these reasons.
- 5** Take corrective action so that deviations may be corrected.
- 6** Set specific dates for control and follow up.
- 7** Draw up a table/list of the advantages and disadvantages of a strategy.
- 8** Decide on the desired outcome.
- 9** Consider the impact of the strategic implementation in the internal and external environments of the business.

### QR CODE

Strategy evaluation



<https://www.youtube.com/watch?v=m1xW531hBdU>



#### Tip

It is advisable that the steps in strategy evaluation are provided in order. However, you will not be penalised if they are not provided in the correct order.

### Activity 5.9 Classwork/Homework

#### QUESTION 1

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

#### KATHRADA PROPERTY DEVELOPERS (KPD)

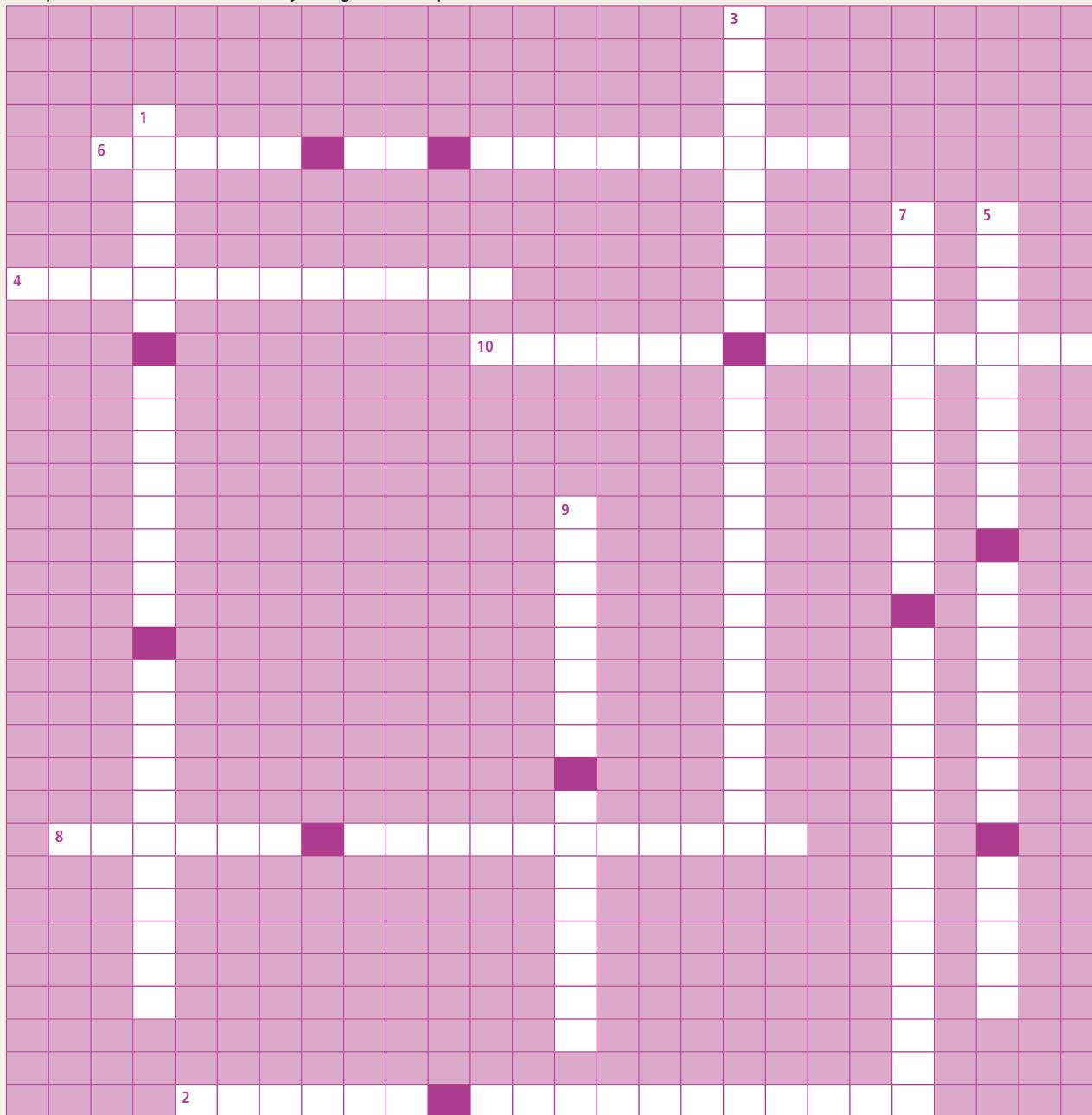
Kathrada Property Developers implemented different types of business strategies that need to be evaluated. KPD assessed the underlying basis of the business strategy. They also took corrective action so that deviations from the standards may be corrected. Specific dates were set by KPD for control and follow up.

- 1.1.1** Quote THREE steps in strategy evaluation applied by KPD. (3)
- 1.1.2** Explain other steps in strategy evaluation that could be applied by KPD. (6)  
[9]

## Consolidation

### QUESTION 1: Crossword puzzle 1

Complete the crossword below by using the clues provided.



#### DOWN

- 1 The business combines with its distributors down the supply chain.
- 3 The business adds new products that are related to existing products but will appeal to new customers.
- 5 Specific techniques that are used by a business to analyse different business environments.
- 7 The business adds new products that are unrelated to existing products, which may appeal to new groups of customers.
- 9 The general slowdown in business activity within a particular industry mainly because of a decline in sales.

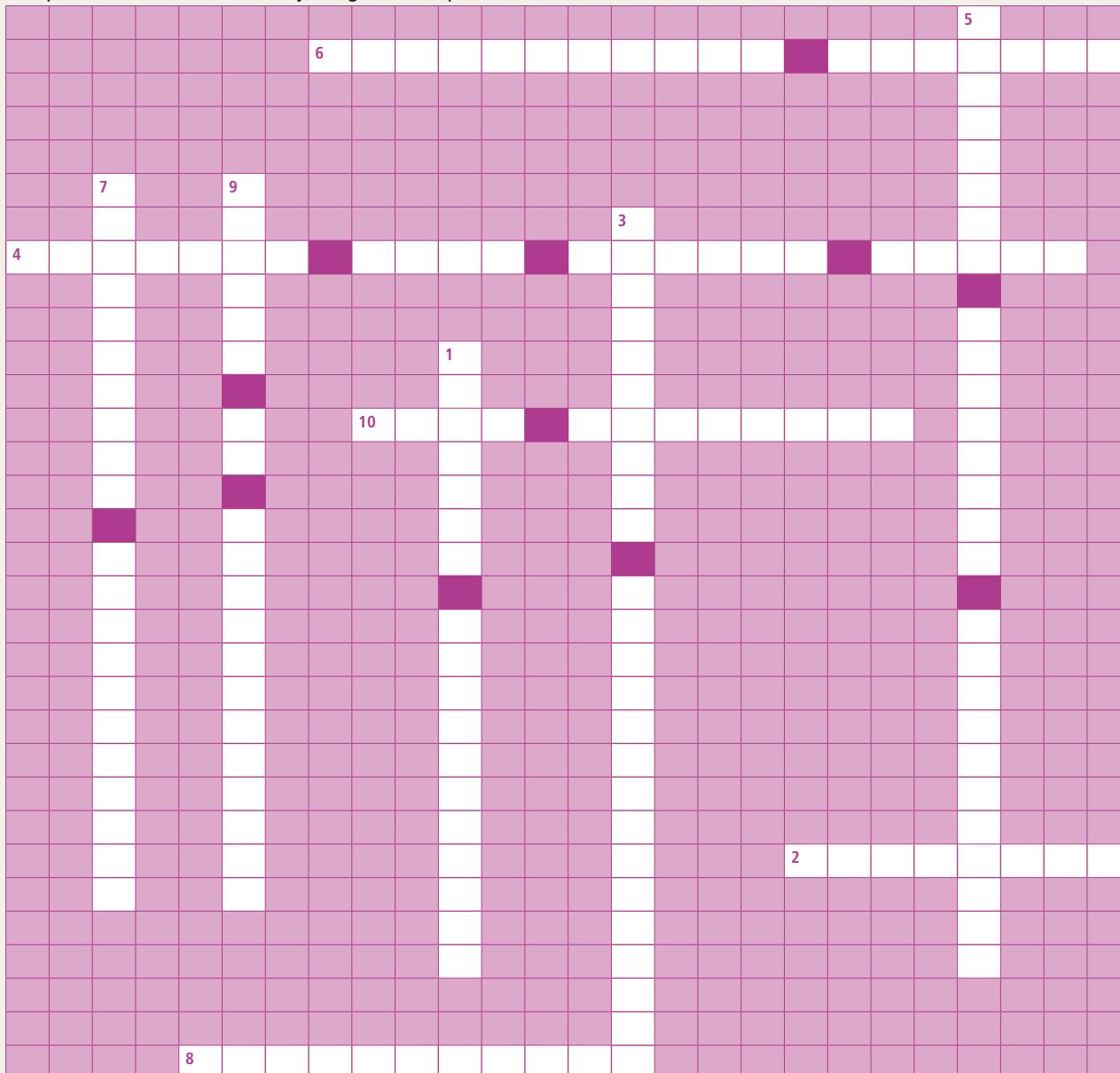
#### ACROSS

- 2 In this strategy, the business focuses on selling existing products into existing markets to increase its market share.
- 4 This defensive strategy occurs when the business terminates the employment contracts of employees for operational reasons.
- 6 The ability of suppliers to increase the prices of their products.
- 8 This growth strategy occurs when the business sells current products in new geographical areas.
- 10 This environmental scanning technique enables a business to devise strategies in response to the macro environment.

(10 × 2) (20)

**Consolidation****QUESTION 2: Crossword puzzle 2**

Complete the crossword below by using the clues provided.

**DOWN**

- 1 This growth strategy focuses on introducing new products into existing markets.
- 3 This type of diversification strategy occurs when the business adds new products that are unrelated to existing products, but which may appeal to existing customers.
- 5 This strategy entails that the business merges with its suppliers up the supply chain.
- 7 The business takes control of another business in the same industry that produces a similar product.
- 9 The ease at which the product of the business can be replaced by a cheaper alternative.

**ACROSS**

- 2 A purposeful course of action that the business follows to achieve its goals.
- 4 A simplistic industrial analysis tool that is used to assess the competitive position of the business in the market.
- 6 The business compiles a competitor's profile when applying this component of Porter's Five Forces Model.
- 8 The business sells all assets to pay creditors due to a lack of capital and bankruptcy.
- 10 This environmental scanning technique enables a business to determine the internal and external factors that may contribute to the success or failure of the business.

(10 × 2) (20)

## Consolidation

### QUESTION 3

3.1 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 (3.1.1 to 3.1.5) in your notebook, for example, 3.1.5 D.

- 3.1.1 Inkomo Dairy applied...integration when they took over Melkman Dairies.  
A forward vertical  
B horizontal  
C backward vertical  
D intensive
- 3.1.2 The threat of substitution as a force of Porter's Five Forces Model, allows Mega Tech to determine whether...  
A buyers can dictate prices.  
B current barriers to entry may allow new businesses to enter the industry.  
C suppliers of unique goods are significantly able to increase their prices.  
D products can easily be replaced by cheaper alternatives of rival firms.
- 3.1.3 The business disposes of some of its assets that are no longer profitable to remain in the market:  
A Liquidation  
B Retrenchment  
C Diversification  
D Divestiture
- 3.1.4 Market penetration is applied by Jessica Smith Retailers as an intensive strategy when they...  
A sell existing products in the current market to increase their market share.  
B sell existing products in new markets.  
C add new products that are related to existing products but appeal to new customers.  
D introduce new products into existing markets.
- 3.1.5 The employees of Tido Trading render effective customer services. This is an example of a(n)...in SWOT Analysis.  
A Strength  
B Weakness  
C Opportunity  
D Threat

(5 × 2) (10)

3.2 Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question number (3.2.1–3.2.5) in your notebook.

SWOT analysis ; environmental ; retrenchment ; economic  
concentric ; weakness ; conglomerate ; threat  
Porter's Five Forces Model ; divestment

- 3.2.1 Phakama Operations applied the...diversification strategy when they added new product lines unrelated to existing products that may appeal to new groups of customers.
- 3.2.2 Employees who are unable to work together as a team will be regarded as a...for a business.
- 3.2.3 Coetzee Marketing used a...to determine the power of competitors within the industry.
- 3.2.4 The incorrect implementation of recycling methods forms part of...as a PESTLE factor that pose challenges to businesses.
- 3.2.5 Noemdoe Dynamic Entrepreneurs applied...as a defensive strategy when they terminated the employment contracts of some of the employees.

(5 × 2) (10)

**Consolidation**

- 3.3** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question number (3.3.1 – 3.3.5) in your notebook for example, 3.3.1 J.

Column A	Column B
3.3.1 PESTLE analysis	A a few powerful customers that influence the business to decrease prices
3.3.2 Product development	B combining with distributors down the production chain
3.3.3 Backward vertical integration	C an industrial analysis tool is used to evaluate challenges of the macro environment
3.3.4 Power of buyers	D increasing sales of existing products through the development of new markets
3.3.5 Horizontal diversification	E combining the business with its supplier
	F adding new products that are unrelated to existing products but will appeal to existing customers
	G evaluates competitive rivalry in the industry
	H generating new products for current markets
	I the ability of suppliers to increase the prices of their products
	J creating new products that are technologically similar to existing products that are aimed at new customers

(5 × 2) (10)  
[30]

**QUESTION 4**

- 4.1** Identify the PESTLE factor that poses challenges to Williamson Media (WM) in EACH statement below.

- 4.1.1 WM is not conversant with the local language of their customers.
- 4.1.2 It is expensive to obtain loans due to high interest rates.
- 4.1.3 Employees of WM are not skilled to operate new equipment and machinery.
- 4.1.4 Packaging of some products of WM does not meet environmentally friendly standards.
- 4.1.5 The terms and conditions of business contracts are delaying the business operations of WM.

(5 × 2) (10)

- 4.2** Name THREE defensive strategies. (3)

- 4.3** Differentiate between *horizontal integration* and *horizontal diversification*. (4)

- 4.4** Read the scenario below and answer the questions that follow.

**BONGA BAKERY (BB)**

Bonga Bakery was easy to establish, as only a trading licence was required. The main consumers have forced BB to reduce the prices of confectionery cakes. Imperial Bakers (IB) that is situated near BB used a sales strategy to increase their market share. A drought has caused prices of main inputs to rapidly increase. Customers have opted to purchase cheaper products from IB.

- 4.4.1** Identify FIVE elements of Porter's Five Forces Model applicable to BB. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 4.4.1.

**Consolidation**

<b>PORTER'S FIVE FORCES</b>	<b>MOTIVATIONS</b>
1.	
2.	
3.	
4.	
5.	

- 4.5** Discuss the strategic management process. (15)  
**5.1** List THREE industrial analysis tools. (8)

**[40]****QUESTION 5**

- 5.2** Read the scenario below and answer the question that follows. (3)

**LIAM BOTMAN DEALERS (LBD)**

Covid-19 has caused a sustained decline in the sales of Liam Botman Dealers. The local government is supporting LBD with grants. High employee voluntary turnover rates are prevalent in the business. LBD is currently using sound financial management practices.

- 5.2.1** Compile a SWOT analysis of LBD.  
 Use the table below as a GUIDE to answer QUESTION 5.2.1.

<b>STRENGTH</b>	<b>WEAKNESS</b>
<b>OPPORTUNITY</b>	<b>THREAT</b>

(4)

- 5.3** Read the scenario below and answer the questions that follow.

**MBOMBELA RESTAURANT (MR)**

Mbombela Restaurant has applied an intensive strategy by opening a new branch located in Polokwane. It was advised to MR that they should follow the correct steps in strategy evaluation.

- 5.3.1** Identify the type of intensive strategy applied by MR. Motivate your answer by quoting from the scenario above. (3)  
**5.3.2** Describe TWO other intensive strategies that may be applied by MR. (6)  
**5.3.3** Explain the advantages of intensive strategies. (6)  
**5.3.4** Advise MR on the steps they should follow when evaluating strategies. (8)

**[30]****QUESTION 6**

- 6.1** Identify the type of business strategy applied by De Doorns Distributors (DDD) in EACH statement below.
- 6.1.1** An improvement in the marketing mix was executed, based on the market research of current customers.
  - 6.1.2** DDD took over suppliers up the production chain to decrease dependency on suppliers.
  - 6.1.3** New products related to existing products were added by DDD to attract new customers.

**Consolidation**

- 6.1.4** DDD sold off divisions of the business that are no longer profitable.  
**6.1.5** Contracts of certain staff were terminated because of operational pressures experienced at DDD.  
**6.1.6** DDD took control of Graham Distributors to reduce the threat of competition. (6 × 2) (12)

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

**SOSO CONSULTANCY (SC)**

Soso Consultancy is unable to keep abreast with the latest innovations in new machinery. Some government policies affect the business operations of SC. High costs in obtaining a licence is preventing the establishment of a second branch. Fluctuations in foreign currency are restricting imports.

Use the table below as a GUIDE to answer QUESTIONS 6.2.1 and 6.2.2.

<b>CHALLENGES 6.2.1</b>	<b>PESTLE FACTOR 6.2.2</b>
1.	
2.	
3.	
4.	

- 6.2.1** Quote FOUR challenges for SC from the scenario above. (4)  
**6.2.2** Classify SC's challenges according to a relevant PESTLE factor. (8)  
**6.2.3** Recommend ways in which SC can deal with challenges posed by ONE of the PESTLE factors identified in QUESTION 6.2.2. (6)  
[30]

**QUESTION 7: BUSINESS ENVIRONMENTS (BUSINESS STRATEGIES)**

Businesses apply the strategic management process when responding to challenges of the three business environments. Some businesses implement different types of diversification strategies. It is important that businesses are conversant with the steps to follow in evaluating their strategy.

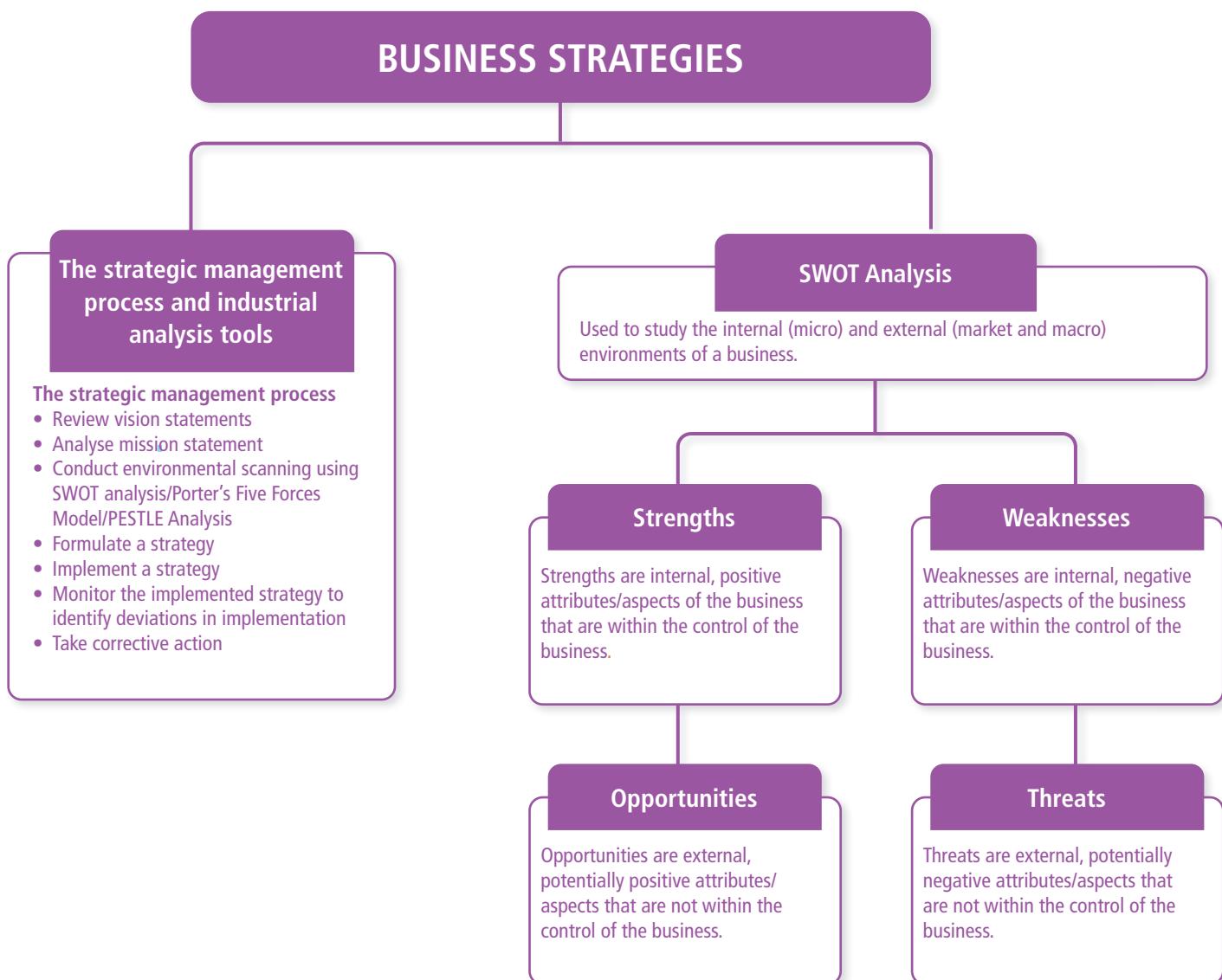
Write an essay on business strategies in which you include the following aspects:

- Outline the strategic management process.
- Explain THREE types of diversification strategies that may be implemented by businesses.
- Discuss the advantages of diversification strategies.
- Advise businesses on the steps they should follow to evaluate strategies.

[40]

## Mind map: Topic 5 – Macro environment: Business strategies

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



## BUSINESS STRATEGIES (continued)

### PESTLE Analysis

- Used to identify and evaluate the factors in the external (macro) environment that can influence the business.

### PESTLE factors

#### POLITICAL

- Challenge:** Some government policies may affect businesses.
- Recommendation:** Research recent government policies.

#### ECONOMIC

- Challenge:** Fluctuations in foreign currency may restrict imports.
- Recommendation:** Trade with countries that have a lower, favourable exchange rate.

#### SOCIAL

- Challenge:** Customers may not be able to afford products because of low income levels.
- Recommendation:** Sell substitute products at lower prices.

#### TECHNOLOGICAL

- Challenge:** May not stay abreast of the latest technology.
- Recommendation:** Conduct continuous research on the latest available technology in the market.

#### LEGAL

- Challenge:** Consider the implications of the various acts that may have a direct impact on a business, for example, CPA/BCEA.
- Recommendation:** Comply with all relevant legislation that may impact businesses.

#### ENVIRONMENTAL

- Challenge:** The packaging of some products may not be environmentally friendly.
- Recommendation:** Use packaging that is reusable/recyclable.

### Porter's Five Forces Model

- Used to evaluate the competitive position of the business in the market environment.

### Factors

#### BARGAINING POWER OF SUPPLIERS/POWER OF SUPPLIERS

- The ability of suppliers to increase the price of the product being supplied.

#### BARGAINING POWER OF BUYERS/POWER OF BUYERS

- The ability of buyers to influence the business to decrease the price of the product being sold.

#### THREATS/BARRIERS OF NEW ENTRANTS TO THE MARKET

- Assess and enhance the barriers to enter the market, which may prevent new businesses from entering the market.

#### COMPETITIVE RIVALRY/POWER OF COMPETITORS

- The amount of power of existing competitors within the market.

#### THREAT OF SUBSTITUTION/SUBSTITUTES

- The ease at which the product of the business can be replaced by a cheaper alternative.

## TYPES OF BUSINESS STRATEGIES

### Integration strategies

#### FORWARD VERTICAL INTEGRATION

- The business combines/merges with/takes over its distributors down the supply chain.

#### BACKWARD VERTICAL INTEGRATION

- The business combines/merges with/merges/takes over its suppliers up the supply chain.

#### HORIZONTAL INTEGRATION

- The business takes control of/merges with other businesses in the same/related industry that sells the same/similar products.

#### ADVANTAGES OF INTENSIVE STRATEGIES

- Improves market share.
- Increases sales due to a variety of aggressive advertising campaigns.
- Increases customer loyalty through effective promotion campaigns.

### Intensive strategies

#### MARKET PENETRATION

- The business focuses on selling existing products into existing markets to increase their market share.

#### MARKET DEVELOPMENT

- The business uses this growth strategy to sell its existing products in new markets/geographical areas.

#### PRODUCT DEVELOPMENT

- The business uses this growth strategy to introduce new products into existing markets.

### Defensive strategies

#### RETRENCHMENT

- The business terminates the employment contracts of employees for operational reasons.

#### LIQUIDATION

- The business sells all assets to pay creditors and shutdown activities.

#### DIVESTITURE/DIVESTMENT

- The business disposes of/sells some assets/divisions that are no longer profitable.

### Steps in strategy evaluation

- Examine the underlying basis of a business strategy.
- Look forward and backward into the implementation process.
- Compare the expected performance with the actual performance.
- Measure the business performance to determine the reasons for deviations.
- Take corrective action so that deviations may be corrected.
- Draw up a table/list of the advantages and disadvantages of a strategy.

# BUSINESS STUDIES GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

TERM 1  
EXEMPLAR  
CASE STUDY

MARKS: 50

FORMAL ASSESSMENT TASK

TIME: 1 HOUR

## INSTRUCTIONS AND INFORMATION

Read the following instructions carefully before answering the questions.

1. The following topics are assessed in this Formal Assessment Task:
  - The impact of recent legislation on businesses
  - Human Resources function
  - Ethics and professionalism
  - Creative thinking and problem-solving
2. This Formal Assessment Task must be completed during class time under controlled conditions within the allocated time provided.
3. ANSWER ALL THE QUESTIONS.
4. Read the instructions for each question carefully and answer only what is required.
5. Number the answers correctly according to the numbering system used in this Formal Assessment Task.
6. Answers must be in full sentences where applicable.
7. Read the questions carefully.
8. Neatness and systematic presentation of facts are required.
9. Write neatly and legibly.

## QUESTION 1

- 1.1 Read the case study below and answer the questions that follow.

### KROMBIE LOGISTICS (KL)

Krombie Logistics strives to comply with the Broad-Based Black Economic Empowerment Act (BBBEE), 2003 (Act 53 of 2003), (amended in 2013) by applying the five revised BBBEE pillars. Learnerships and learning programmes are provided to black employees. KL also afforded more opportunities for black people to become shareholders in the business. In addition, KL must be familiar with the actions regarded as non-compliance according to the National Credit Act (NCA), 2005 (Act 34 of 2005).

KL identified certain vacancies in the business and started the process of finding and hiring suitable candidates in line with the Labour Relations Act (LRA), 1995 (Act 66 of 1995). Newly appointed employees were introduced to KL so that they could familiarise themselves with their new physical work environment.

KL ensures that auditing and other reports are accurately done and made available to shareholders and employees. The board also ensures that the business ethics are effectively implemented in the workplace.

The needs of customers are constantly changing. The marketing department is therefore, currently investigating how they could apply different problem-solving techniques to address this challenge. KL also acknowledges the benefits of creative thinking in solving complex business problems.

Source: H. Adams (July 2021)

*This case study consists of 2 pages.*

- 1.1.1** Identify TWO BBBEE pillars applied by KL. Motivate your answer by quoting from the case study above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

BBBEE PILLARS	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2** Elaborate on the meaning of *learnerships*.

(4)

- 1.1.3** Advise KL on the actions regarded as non-compliance according to the National Credit Act (NCA), 2005 (Act 34 of 2005).

(4)

- 1.1.4** Identify TWO human resources activities applied by KL. Motivate your answer by quoting from the case study above.

Use the table below as a GUIDE to answer QUESTION 1.1.4.

HUMAN RESOURCES ACTIVITIES	MOTIVATIONS
1.	
2.	

(6)

- 1.1.5** Explain the implication of the Labour Relations Act (LRA), 1995 (Act 66 of 1995) on the human resources function.

(4)

- 1.1.6** Identify TWO King Code principles applied by KL. Motivate your answer by quoting from the case study above.

Use the table below as a GUIDE to answer QUESTION 1.1.6.

KING CODE PRINCIPLES	MOTIVATIONS
1.	
2.	

(6)

- 1.1.7** Explain ONE other King Code principle that could be applied by KL.

(3)

- 1.1.8** Suggest ways in which professional, responsible, ethical and effective business practices should be conducted by KL other than those mentioned in the case study above.

(4)

- 1.1.9** Name THREE problem-solving techniques that could be applied by KL.

(3)

- 1.1.10** Distinguish between *problem-solving* and *decision making*.

(4)

- 1.1.11** Discuss the advantages of creative thinking in the workplace.

(6)

**GRAND TOTAL [50]**

# BUSINESS STUDIES GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

FORMAL ASSESSMENT TASK

TERM 1

EXEMPLAR

CONTROLLED TEST

MARKS: 100

TIME: 1½ HOURS

## INSTRUCTIONS AND INFORMATION

Read the following instructions carefully before answering the questions.

1. This question paper consists of THREE sections.

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. Note that ONLY the first TWO questions in SECTION B and the FIRST question in SECTION C will be marked.
4. Number the answers carefully according to the numbering system used in this question paper.  
No marks will be awarded for answers that are numbered incorrectly.
5. Except where other instructions are given, answers must be in full sentences.
6. Use the mark allocation and nature of each question to determine the length and depth of an answer.
7. Use the table below as a guideline for marks and time allocation for each question.

SECTION	QUESTION	MARKS	TIME
A Objective-type questions COMPULSORY	1	20	10 minutes
B THREE direct/indirect type questions CHOICE (Answer any TWO.)	2	20	20 minutes
	3	20	20 minutes
	4	20	20 minutes
C TWO essay-type questions CHOICE (Answer any ONE.)	5	40	40 minutes
	6	40	40 minutes
<b>TOTAL</b>		<b>100</b>	<b>90 minutes</b>

8. Begin the answer to each question on a NEW page, e.g. QUESTION 1 – new page, QUESTION 2 – new page, et cetera.
9. You may use a non-programmable calculator.
10. Write neatly and legibly.

*This question paper consists of 4 pages.*

## 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 numbers (1.1.1 to 1.1.5) in the ANSWER BOOK, e.g. 1.1.6 D.
- 1.1.1** Businesses are not allowed to mislead consumers on pricing. This is the right to...according to the Consumer Protection Act (CPA), 2008 (Act 68 of 2008).
- A** accountability from suppliers
  - B** fair terms and conditions
  - C** fair and honest dealings
  - D** fair marketing
- 1.1.2** Willemse Warehousing used...as a source of external recruitment for a vacant post.
- A** internal noticeboards
  - B** recruitment agencies
  - C** business newsletters
  - D** management referrals
- 1.1.3** Professional behaviour is evident at Mandy Enterprises by using...
- A** inappropriate language with customers.
  - B** customers' information for personal gain.
  - C** child labour to improve job creation.
  - D** polite language with customers.
- 1.1.4** An advantage of the nominal group technique for Dudu Distributors is that it...
- A** provides expert opinions to solve problems.
  - B** generates short key words and phrases.
  - C** requires each team member to actively participate without interference from others.
  - D** allows for a decrease in creative solutions.
- 1.1.5** Quick Pick Traders applied...when it sold all the business's assets to repay creditors.
- A** liquidation
  - B** horizontal integration
  - C** divestiture
  - D** retrenchment

(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 (1.2.1–1.2.5) in the ANSWER BOOK, for example 1.2.6 J.

COLUMN A	COLUMN B
<b>1.2.1</b> Learnership	<b>A</b> considering various alternatives before deciding on the best one
<b>1.2.2</b> Selection	<b>B</b> selling existing products in new markets
<b>1.2.3</b> National Credit Act (NCA)	<b>C</b> structured learning programmes completed at universities
<b>1.2.4</b> Decision making	<b>D</b> promotes sustainable use of environmental resources
<b>1.2.5</b> Market development	<b>E</b> choosing a qualified applicant for an available post
	<b>F</b> structured learning programmes completed during work hours
	<b>G</b> generating and evaluating alternative solutions
	<b>H</b> selling existing products in existing markets
	<b>I</b> promotes responsible credit practices
	<b>J</b> positioning the qualified candidate in the new post

(5 × 2) (10)

**TOTAL SECTION A**

**[20]**

## SECTION B

Answer ANY TWO questions in this section.

**NOTE:** Clearly indicate the QUESTION NUMBER of each question that you choose. The answer to EACH question must start on a NEW page, e.g. QUESTION 2 on a NEW page, QUESTION 3 on a NEW page, etc.

### QUESTION 2: BUSINESS ENVIRONMENTS

- 2.1 Identify the industrial analysis tool applied by Jessica Jay Accountants (JJA) in EACH statement below.
- 2.1.1 JJA assessed the power of buyers to drives prices down.
- 2.1.2 JJA identified and evaluated how the factors in the macro environment can influence the business. (4)

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

#### TRANQUIL LIFESTYLE SERVICES (TLS)

Tranquil Lifestyle Services has added a new range of body massage therapy services that will appeal to new customers. TLS decided to introduce car wash services based on the needs of their clients. They also offer lower prices for their services to attract more customers.

- 2.2.1 Identify TWO diversification strategies applied by TLS. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 2.2.1.

DIVERSIFICATION STRATEGIES	MOTIVATIONS
1.	
2.	

(6)

- 2.3 Discuss the impact of the Compensation for Occupational Injuries and Diseases Amendment Act (COIDA), 1997 (Act 61 of 1997) on businesses. (6)
- 2.4 Suggest ways in which businesses can comply with the Labour Relations Act, 1995 (Act 66 of 1995). (4)

[20]

### QUESTION 3: BUSINESS OPERATIONS

- 3.1 State THREE aspects that should be included in an employment contract. (3)
- 3.2 Read the scenario below and answer the questions that follow.

#### RETHABILE RESTAURANT (RR)

The human resources manager of Rethabile Restaurant is in the process of conducting induction. The induction programme includes the overview of RR. Information on the RR's products will be provided. A discussion of the various personnel policies will also be included.

- 3.2.1 Name THREE aspects in the induction programme from the scenario above. (3)
- 3.2.2 Outline TWO other aspects that must be included in the induction programme. (4)
- 3.3 Explain the implication of the Employment Equity Act (EEA), 1998 (Act 55 of 1998) on the human resources function. (4)
- 3.4 Advise businesses on the recruitment procedure that should be followed as a human resources activity. (6)

[20]

### QUESTION 4: BUSINESS ROLES

- 4.1 Identify the King Code principle for good corporate governance applied by Aslam Transport (AT) in EACH statement below:
- 4.1.1 AT appointed internal and external auditors to audit the financial statements.
- 4.1.2 Remedial programmes have been developed by AT to protect the environment such as the reduction of water pollution.
- 4.1.3 Employees are aware of the employment policies of AT. (6)
- 4.2 Distinguish between *ethical behaviour* and *professional behaviour*. (4)

- 4.3** Read the scenario below and answer the questions that follow.

### OKUHLE FINANCING (OF)

Okuhle Financing specialises in various financial packages. The administrative clerk at OF uses money from the cheque account without prior authorisation from senior management. The employees of OF often take extended lunch breaks which is affecting their sales.

- 4.3.1** Identify TWO types of unprofessional business practices posing a challenge to OF. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 4.3.1.

UNPROFESSIONAL BUSINESS PRACTICES	MOTIVATIONS
1.	
2.	

(6)

- 4.3.2** Recommend ways in which OF could deal with ONE of the unprofessional business practices identified in QUESTION 4.3.1. (4)

[20]

[40]

## TOTAL SECTION B

## SECTION C

Answer ONE question in this section.

**NOTE:** Clearly indicate the QUESTION NUMBER of the chosen question. The answer to EACH question must start on a NEW page, e.g. QUESTION 5 on a NEW page OR QUESTION 6 on a NEW page.

### QUESTION 5: BUSINESS ENVIRONMENTS (LEGISLATION)

The Broad-Based Black Economic Empowerment Act (BBBEE), 2003 (Act 53 of 2003), (amended in 2013) is a recent legislation that affects businesses in South Africa. The revised FIVE pillars of BBBEE have an implication for businesses. Businesses need to be knowledgeable of the impact of BBBEE and refrain from engaging in activities regarded as non-compliance according to the Act.

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

- Outline the purpose of BBBEE.
- Explain the implications of the following revised pillars of BBBEE on businesses:
  - Ownership
  - Enterprise and supplier development (ESD)
  - Socio-economic development/Social responsibility
- Discuss the impact of BBBEE on businesses.
- Advise businesses on the actions regarded as non-compliance according to BBBEE.

### QUESTION 6: BUSINESS ROLES (CREATIVE THINKING AND PROBLEM SOLVING)

Businesses realise the importance of problem solving and creative thinking in solving their complex business problems. The problem-solving steps enable businesses to make informed decisions. Some businesses ensure that employees work in an environment that promotes creative thinking. Other businesses prefer to apply the Delphi technique to solve complex business problems.

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

- Outline the problem-solving steps.
- Explain ways in which businesses can create an environment that promotes creative thinking in the workplace.
- Discuss the impact of the Delphi technique on businesses.
- Advise businesses on how they can apply the Delphi technique to solve complex business problems.

[40]

[40]

[100]

## TOTAL SECTION C

## GRAND TOTAL

## TERM 2

## 6

## Business sectors and their environments



## TOPIC OVERVIEW

- Unit 6.1 Business sectors
- Unit 6.2 Business environments



## Learning objectives

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

- ❖ name three types of business sectors: primary, secondary and tertiary
- ❖ identify/name a business sector from given scenarios/statements
- ❖ identify business challenges from given scenarios/case studies and classify them according to the three business environments
- ❖ state the extent to which a business (operating in any of the three sectors) can control the three business environments from given scenarios and case studies.



## Key concepts

- **Business sectors:** the different categories of business enterprises based on the type of business/production activity conducted.
- **Extent of control:** the degree of control the business has over the specific business environment.
- **Macro environment:** external uncontrollable factors/forces outside the business.
- **Market environment:** components/elements/factors immediately outside the business.
- **Micro environment:** the business itself, characterised by all the processes/functions/factors within the business.
- **Primary sector:** extracts/exploits/collects/harvest natural resources/raw materials from the earth.
- **Secondary sector:** focuses on the manufacturing/processing/converting/transforming of natural resources/raw materials into semi-finished/finished products.
- **Services:** an action/performance of intangible activities offered by one party to another.
- **Tertiary sector:** provides/distributes final products and services to customers.

## Introduction

In Grade 10 you were introduced to the concepts of Business environments and the components of EACH environment. In addition, different business sectors were discussed in detail.

The focus in Grade 11 was on the link/relationship between the primary, secondary and tertiary sector, including challenges emanating from the THREE business environments.



### QR CODE

Watch the video below for more information about the three business sectors.



[https://www.youtube.com/watch?v=wQ\\_29QOHwiw](https://www.youtube.com/watch?v=wQ_29QOHwiw)



### New words

**primary sector** extracts/exploits/collects/harvests natural resources/raw materials from the earth



### TIP

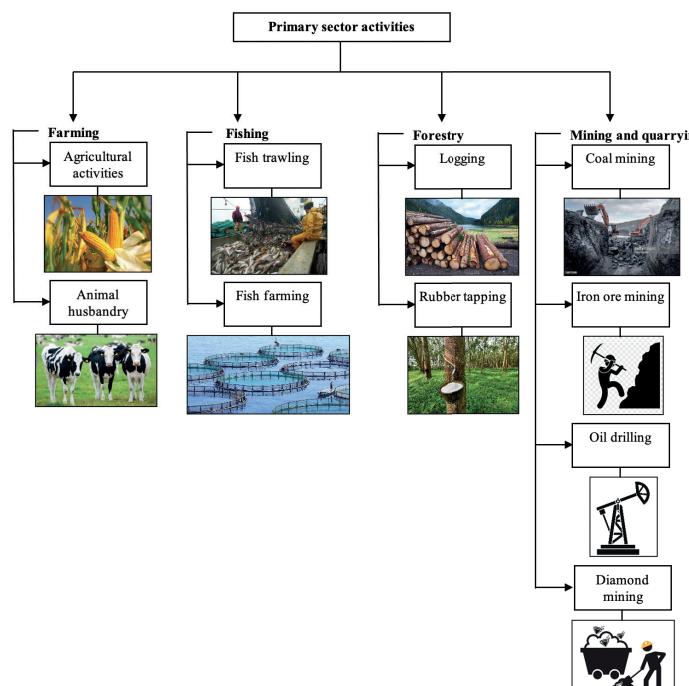
The diagram on the right will help to improve your conceptual understanding of the primary sector.

## Unit 6.1 Business sectors

Businesses are divided according to three different sectors. These sectors are based on the nature of the business/type of product/service offered by businesses. The three business sectors form a chain of production from the source/origin of the product until it reaches consumers/customers. The chain of production is interdependent to make meaningful/functional goods/services available to consumers/customers. The interaction between the three sectors makes it possible for various business operations to take place.

### Primary sector

- The **primary sector** focuses on activities related to the extraction/exploitation/cultivation/harvesting of natural resources/raw materials.
- It is often referred to as extractive/exploitative industries as it involves acquiring natural resources/raw materials.
- The primary sector is dependent on nature/the natural environment because it utilises/uses the earth's natural resources, land, minerals, and vegetation.
- The primary sector plays a critical/essential role in production activities, because without it, further production activities would be impossible in the secondary sector.



## Secondary sector

- The **secondary sector** focuses on activities related to the production/manufacturing of products.
- It uses the natural resources/raw materials sourced by the primary sector and adds value to them.
- The secondary sector is often referred to as manufacturing industries because valuable products are created/manufactured-produced so that these products can serve a meaningful function/purpose to customers/consumers.
- It transforms/converts/processes natural resources/raw materials into meaningful products/semi-finished products.
- The secondary sector plays an important/critical role because not all resources in their natural state are functional/useful and require further processing.

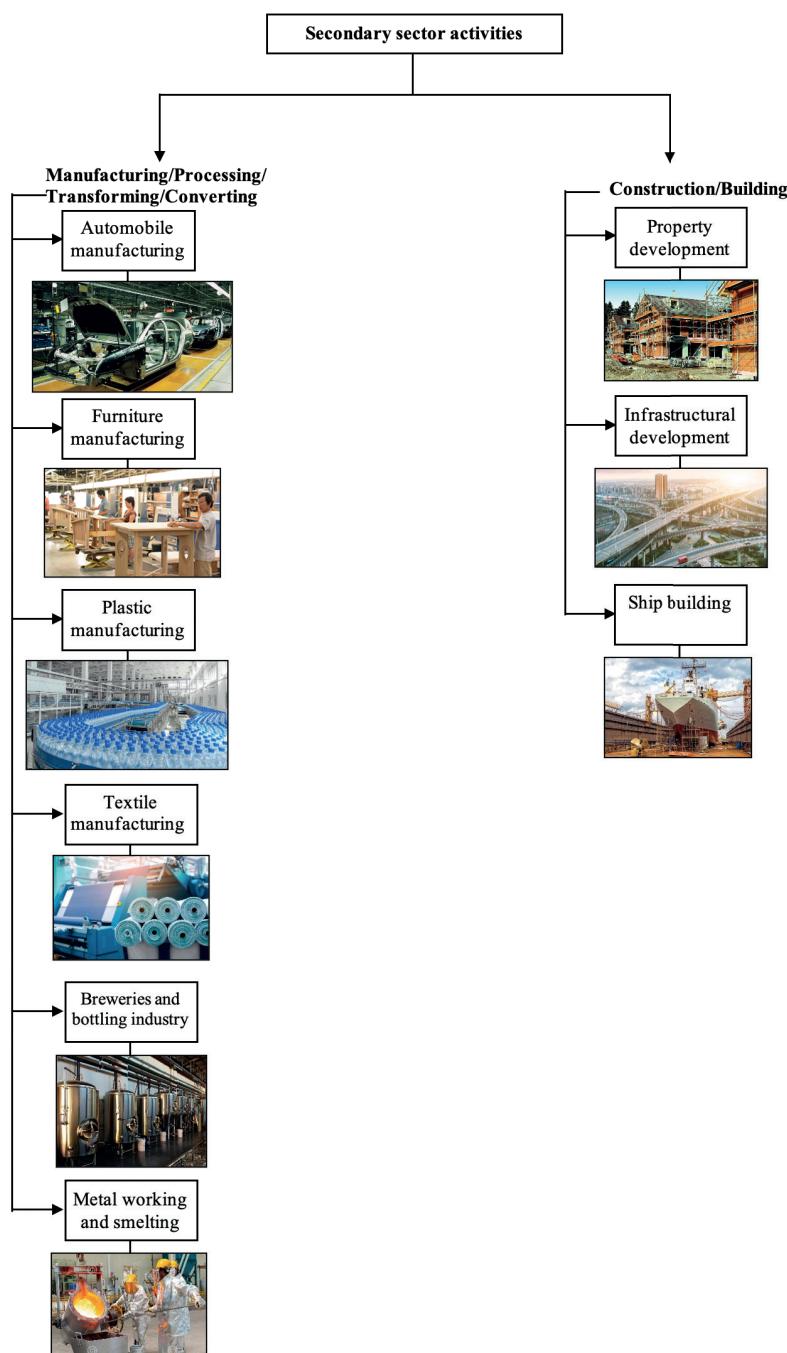
### A New words

**secondary sector** focuses on the manufacturing/processing/ converting/transforming of natural resources/raw materials into semi-finished/finished products



#### TIP

The diagram below will help to improve your conceptual understanding of the secondary sector.



**A** New words

**tertiary sector** provides/distributes final products and services to customers

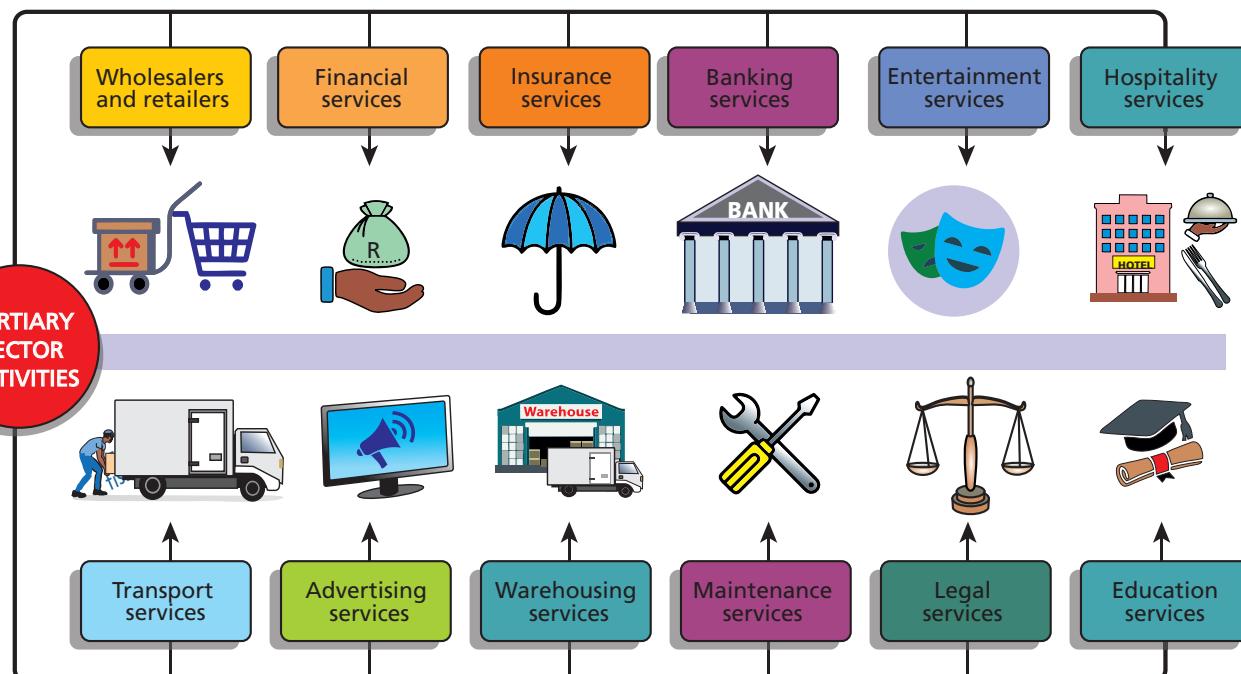
**services** an action/performance of intangible activities offered by one party to another

**TIP**

This diagram will help to improve your conceptual understanding of the tertiary sector.

**Tertiary sector**

- The **tertiary sector** focuses on activities related to providing final products and **services** to consumers/customers.
- It is often referred to as the services sector because a variety/diverse range of commercial services are provided to consumers/customers.
- The tertiary sector involves all activities aimed at making the distribution of products/services possible.
- It plays a unique/different role because it allows natural resources/raw materials that were collected and transformed available to consumers/customers.
- Businesses in the primary/secondary sectors rely on the tertiary sector to make their products/services available to consumers/customers in a convenient/effective/efficient manner.



## Unit 6.2 Business environments

The three business environments are dynamic/multifaceted/interdependent as they consist of many interrelated features and are characterised by constant change. Changes within the business environment affect businesses differently. Businesses strive to address the unpredictability within the three business environments in order to remain profitable/relevant. Businesses must be aware of various challenges that may emanate from the three business environments and the extent of control they have over these environments.

Business environment	Description	Extent of control
<b>Micro environment</b>	<ul style="list-style-type: none"> <li>The micro environment refers to the business itself, which is characterised by all the processes/functions/factors within the business.</li> <li>The micro environment refers to the internal environment in which the business operates.</li> <li>The micro environment refers to all the internal aspects of a business/ refers to all resources/functions managed by the business.</li> </ul>	Full/complete control
<b>Market environment</b>	<ul style="list-style-type: none"> <li>The market environment refers to the immediate external environment.</li> <li>The market environment refers to components/elements/factors immediately outside the business.</li> <li>The business often regularly interacts with these immediate external components/elements/factors.</li> </ul>	Some/limited/less/partial control
<b>Macro environment</b>	<ul style="list-style-type: none"> <li>The macro environment refers to the external environment that is directly outside the market environment.</li> <li>The macro environment refers to the uncontrollable factors/forces outside the business.</li> <li>The external components/elements/factors of the macro environment affect the operations/profitability of the business.</li> </ul>	No control

### TIP

You will be required to identify and classify challenges according to the THREE business environments from the given scenarios. In addition, you will be required to state the extent of control businesses have over the THREE business environments. Ensure that you master the table below as it will improve your application/interpretation of the THREE business environments.

**TIP**

You must know the elements of each business environment so that you are able to identify the challenges posed by each environment from given scenarios/statements.



## Challenges in the business environments

Business environments	Common challenges
<b>Micro environment</b>	<ul style="list-style-type: none"> <li>• Difficult/Unmotivated employees</li> <li>• Lack of adequate management skills</li> <li>• Lack of vision/mission</li> <li>• Strikes/go-slows</li> <li>• Outdated goals/objectives</li> <li>• Lack of human resource capacity</li> <li>• Various business functions working/operating inefficiently</li> <li>• Poor working conditions</li> </ul>
<b>Market environment</b>	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Supply shortages</li> <li>• Changes in consumer behaviour</li> <li>• Demographics/Psychographics</li> <li>• Socio-cultural factors</li> </ul>
<b>Macro environment</b>	<ul style="list-style-type: none"> <li>• Changes in income levels</li> <li>• Political changes</li> <li>• Contemporary legislation</li> <li>• Labour restrictions</li> <li>• Globalisation/international changes</li> <li>• Socio-economic issues</li> <li>• Technological advances</li> </ul>

**TIP**

This table is provided as enrichment to improve your understanding of challenges within the micro environment.



Business environment	Components	Examples of possible challenges
<b>Micro environment</b>	Mission and vision	<ul style="list-style-type: none"> <li>• A lack of mission/vision exists within the business.</li> <li>• The mission/vision of the business is irrelevant/outdated.</li> </ul>
	Goals and objectives	<ul style="list-style-type: none"> <li>• The business does not achieve its objectives because of a lack of planning.</li> <li>• The objectives of the business are unrealistic and unattainable.</li> </ul>
	Organisational resources	<ul style="list-style-type: none"> <li>• The organisational resources (financial resources/human resources, physical resources/other resources) are not being used optimally.</li> <li>• There are limited resources available to achieve productivity/goals.</li> </ul>
	Organisational processes	<ul style="list-style-type: none"> <li>• Internal control mechanisms are not in place to improve organisational processes.</li> <li>• Organisational processes have not been improved.</li> </ul>

Business environment	Components	Examples of possible challenges
<b>Micro environment</b>	Organisational culture	<ul style="list-style-type: none"> <li>Sound organisational culture is absent.</li> <li>There is a lack of integrity/ethical/professional business practices.</li> </ul>
	Business functions	<ul style="list-style-type: none"> <li>The incorrect application of sound/efficient business practices within the general management/marketing/finance/public relations/purchasing/production/administration/human resources business function.</li> <li>Poor strategic direction within the general management/marketing/finance/public relations/purchasing/production/administration/human resources business function.</li> </ul>
<b>Market environment</b>	Customers	<ul style="list-style-type: none"> <li>Changes in the demand of customers.</li> <li>Customers buying cheaper alternatives.</li> </ul>
	Suppliers	<ul style="list-style-type: none"> <li>Suppliers increasing the prices of inputs.</li> <li>Shortage of supply of critical/important inputs.</li> </ul>
	Competitors	<ul style="list-style-type: none"> <li>Competitors reducing the prices of their products/services thus creating price wars.</li> <li>Market share of competitors is increasing.</li> </ul>
	Intermediaries	<ul style="list-style-type: none"> <li>Intermediaries increasing the prices of their products/services.</li> <li>Intermediaries are unavailable to provide the required services to the business.</li> </ul>
	Civil society	<ul style="list-style-type: none"> <li>Civil society placing demands on the business to change certain business practices.</li> <li>Civil society may disrupt how business activities may be conducted.</li> </ul>
	Trade unions	<ul style="list-style-type: none"> <li>May place unreasonable pressure on the business to increase wages/salaries/employee benefits.</li> <li>Trade unions may disrupt business activities.</li> </ul>

**TIP**

This table is provided as enrichment to improve your understanding of the challenges within the market environment.

TIP	Business environment	Components	Examples of possible challenges
This table is provided as enrichment to improve your understanding of challenges within the macro business environment. The challenges of the various PESTLE factors in Chapter 5 can also be used to understand the challenges within the macro environment that are provided below.	Macro environment	Political	<ul style="list-style-type: none"> <li>The government increases the corporate tax rate for businesses.</li> <li>High levels of political instability/corruption/bureaucracy within a country.</li> </ul>
	Economic		<ul style="list-style-type: none"> <li>A decrease in the availability of credit in the country.</li> <li>The decline in foreign direct investment/economic growth.</li> </ul>
	Social		<ul style="list-style-type: none"> <li>A decline in the income/wealth of consumers because of increases in the unemployment rate.</li> <li>An increase in the immigration rates of skilled South Africans to foreign countries.</li> </ul>
	Technological		<ul style="list-style-type: none"> <li>New/updated/innovative technology becomes unaffordable for businesses.</li> <li>Businesses do not mechanise/improve the production process with new/updated/innovative technology.</li> </ul>
	Legal		<ul style="list-style-type: none"> <li>Current and new legislation/Acts that affect the operations/processes of businesses.</li> <li>Time-consuming/increased costs associated with the compliance of the various legislation/Acts.</li> </ul>
	Environmental		<ul style="list-style-type: none"> <li>Environmental sustainability/preservation/conservation/climate change/sustainable energy use places businesses under pressure to change/transform their current practices.</li> <li>Environmental degradation/Unsustainable business practices cause a reduction in the availability of natural resources.</li> </ul>

# Identifying challenges and the extent of control within the business environments

## EXEMPLAR ACTIVITY

### QUESTION 1

**1.1** Read the scenario below and answer the question that follows.

#### NALEDI SOLAR DISTRIBUTORS (NSD)

The government has increased the corporate tax rate payable by Naledi Solar Distributors. The management of NSD indicated that they might not be able to pay tax because of financial constraints. Customers have decided to buy affordable solar products from another cheap rival.

Use the table below as a GUIDE to answer QUESTIONS 1.1.1 – 1.1.3.

	CHALLENGES (1.1.1)	BUSINESS ENVIRONMENTS (1.1.2)	EXTENT OF CONTROL (1.1.3)
1.			
2.			
3.			

**1.1.1** Quote THREE challenges for ND from the scenario above. (3)

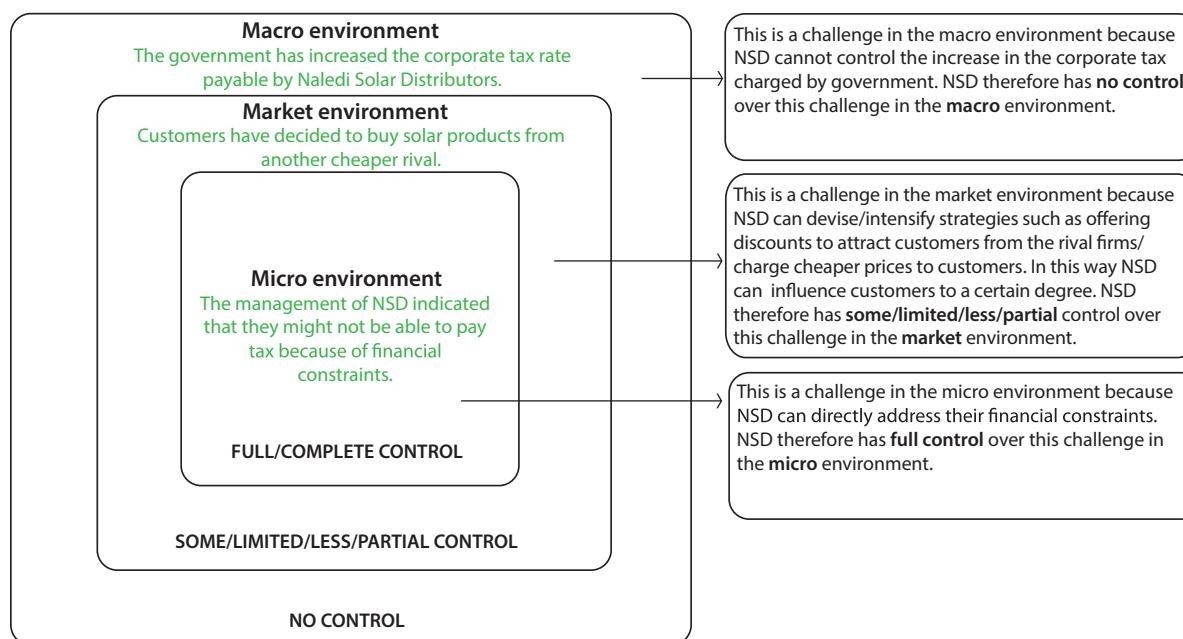
**1.1.2** Classify ND's challenges according to the THREE business environments. (3)

**1.1.3** State the extent of control ND has over EACH business environment named in QUESTION 1.1.2. (3)

## SUGGESTED ANSWER

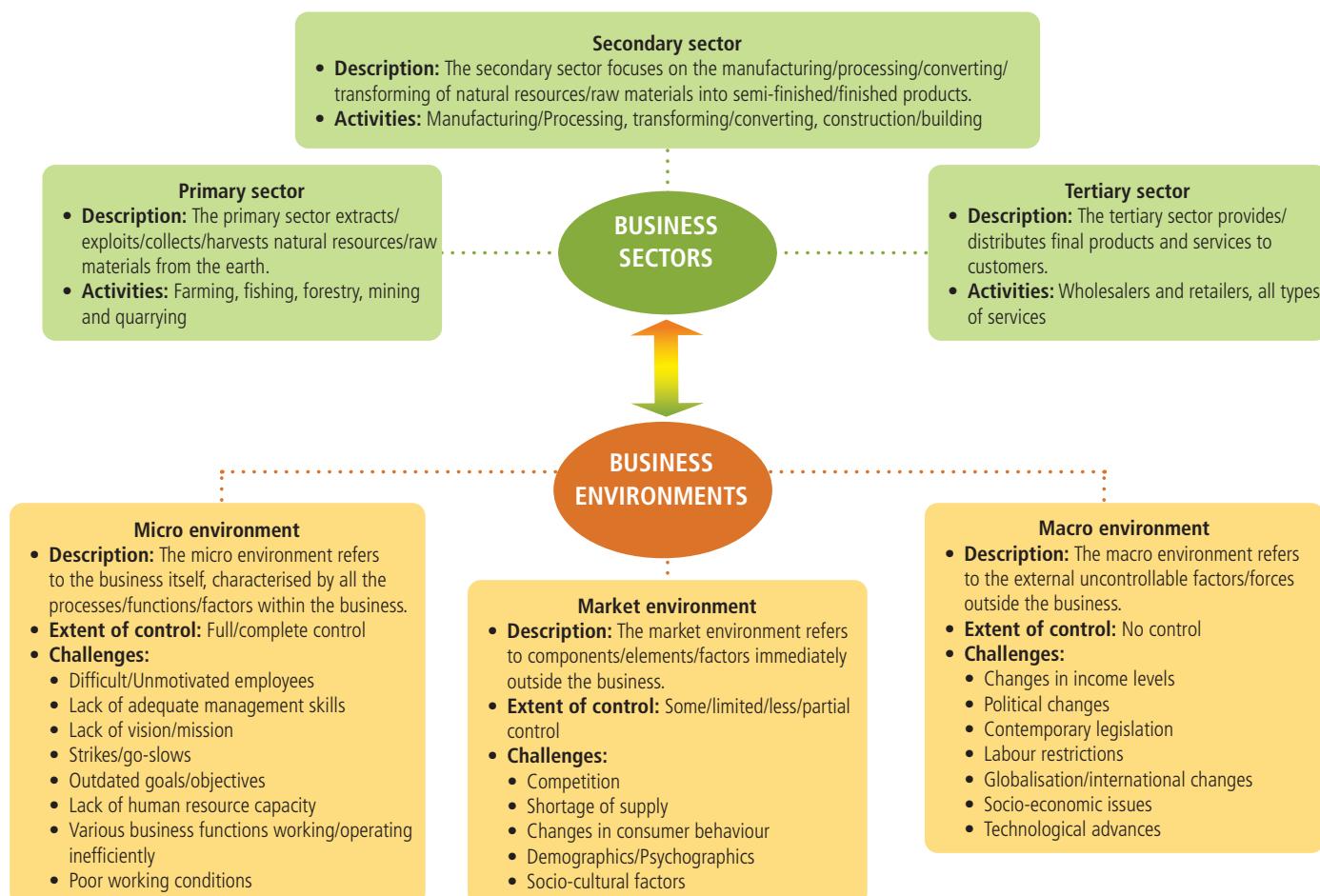
	CHALLENGES (1.1.1)	BUSINESS ENVIRONMENTS (1.1.2)	EXTENT OF CONTROL (1.1.3)
1.	The management of NSD indicated that they might not be able to pay tax due to financial constraints.	Micro environment	Full/complete control
2.	Customers have decided to buy affordable solar products from another cheap rival.	Market environment	Some/limited/less/partial control
3.	The government has increased the corporate tax rate payable by Naledi Solar Distributors.	Macro environment	No control

The illustration/explanation below is based on Naledi Solar Distributors. It aims to enhance your understanding of the challenges and extent of control the business has on the three business environments.



### Mind map: Topic 6 – Business sectors and their environment

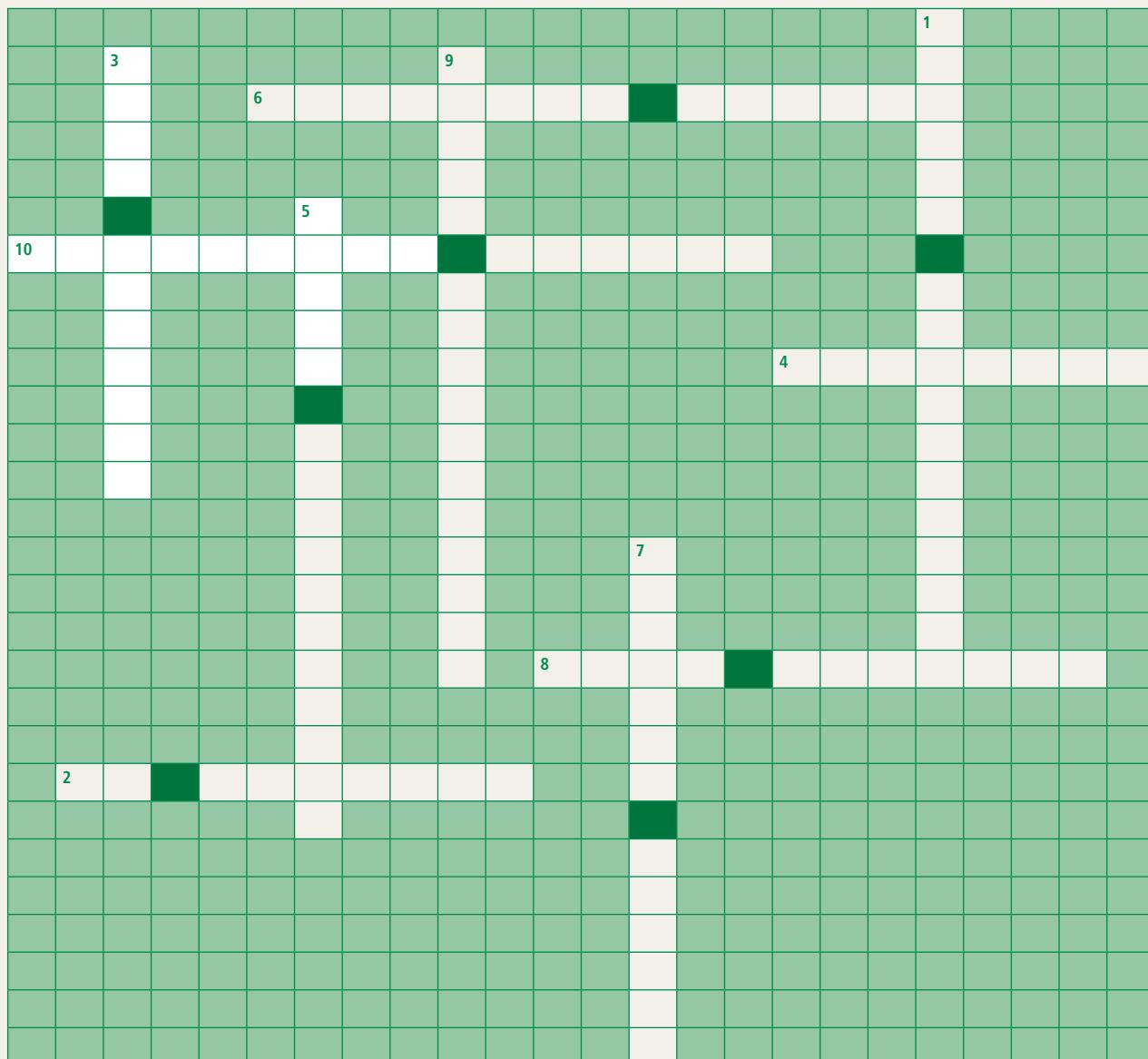
Use the mind map below as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



## Consolidation

## QUESTION 1

Complete the crossword puzzle by using the information below.



DOWN

- 1** The external business environment that is immediately outside of the business and includes elements such as customers and competitors.
  - 3** The extent of control that a business has over challenges such as unmotivated employees and a lack of human resources capacity.
  - 5** The uncontrollable forces outside the business are found in this external environment.
  - 7** In this sector, natural resources are collected and extracted from the earth.
  - 9** This business environment refers to the business itself, characterised by all functions and processes within the business.

## ACROSS

- 2** The extent of control that the business has over the macro environment.
  - 4** The performance of intangible activities required by the business that are provided by other businesses.
  - 6** This sector is commonly known as the services sector.
  - 8** The extent of control that the business has over its market environment.
  - 10** The manufacturing and transformation of natural resources into semi-finished and finished products take place in this sector.

(10 × 2) (20)

### 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 (2.1.1 to 2.1.5) in your notebook for example, 2.1.5 D.

2.1.1 Environmental degradation that causes a reduction in the availability of natural resources is a challenge in the... environment.

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

2.1.2 The secondary sector consists of activities such as...

- A coal mining.
- B infrastructural development.
- C fish trawling.
- D animal husbandry.

2.1.3 Marco Kapri Plumbers has full control over...as a challenge in the micro environment.

- A poor working conditions
- B changes in consumer behaviour
- C increases in the number of competitors
- D changes in income levels

2.1.4 Wholesalers and hospitality services can be classified under the ... sector.

- A industrial
- B primary
- C secondary
- D tertiary

2.1.5 Challenges in the market environment that must be addressed by Oudtshoorn Financial Services include...

- A a lack of adequate management skills.
- B demographics and psychographics of consumers.
- C a decline in the availability of credit in the country.
- D high levels of political instability.

(5 × 2) (10)

#### QUESTION 3

3.1 Identify the business sector represented in EACH statement below.

3.1.1 This sector is often referred to as the services sector.

3.1.2 Agricultural activities and coal mining form part of this sector.

3.1.3 Businesses in the retail industry are found in this sector.

3.1.4 Automobile manufacturing and shipbuilding can be classified under this business sector.

(4 × 2) (8)

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

#### TAUHEER KALAM TEXTILES (TKT)

Tauheer Kalam Textiles specialises in the manufacturing of contemporary clothing for various retail outlets. There is currently a shortage of raw materials from suppliers. The new technological developments on textile equipment is forcing TKT to improve on its processes. The business goals are not constantly reviewed.

**Consolidation**

- 3.2.1** Identify the business sector in which TKT operates. Motivate your answer by quoting from the scenario above. (3)

Use the table below as a GUIDE to answer QUESTIONS 3.2.2 – 3.2.4.

	CHALLENGES (3.2.2)	BUSINESS ENVIRONMENTS (3.2.3)	EXTENT OF CONTROL (3.2.4)
1.			
2.			
3.			

- 3.2.2** Quote THREE challenges for TKT from the scenario above. (3)

- 3.2.3** Classify TKT's challenges according to the THREE business environments. (3)

- 3.2.4** State the extent of control TKT has over EACH business environment named in QUESTION 3.2.3. (3)

- 3.3** Read the scenario below and answer the questions that follow.

**FYNBOS BEAUTY THERAPISTS (FBT)**

Fynbos Beauty Therapists offers unique beauty therapy services to their clients. FBT purchases their stock from Wellness Skincare (WS), a local producer of natural skincare products. WS buys their raw materials from Noluntu Farmers that cultivates and extracts fynbos flowers.

Identify the THREE business sectors that are applicable in the scenario above. Support your answer by quoting from the scenario.

Use the table below as a GUIDE to answer QUESTION 3.3.

BUSINESS SECTORS	QUOTATIONS
1.	
2.	
3.	

(9)  
[29]

## TERM 2

## 7

## Quality of performance



## TOPIC OVERVIEW

- Unit 7.1 Quality and quality concepts
- Unit 7.2 Total Quality Management (TQM)



## QR CODE

Watch the video below for more information about the overview of quality of performance.



[https://www.youtube.com/watch?v=wKYnZYJi-4A4&list=PLpEujd\\_oz5b-PuRzNqyJJEq6mnbqxVpZtK](https://www.youtube.com/watch?v=wKYnZYJi-4A4&list=PLpEujd_oz5b-PuRzNqyJJEq6mnbqxVpZtK)



## Learning objectives

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

- ❖ define the following concepts:
  - quality
  - quality control
  - quality assurance
  - quality management
  - quality performance
  - quality management systems
- ❖ explain/differentiate/distinguish between quality control and quality assurance
- ❖ explain/differentiate/distinguish between quality management and quality performance
- ❖ explain/discuss the advantages/benefits of a good quality management system
- ❖ explain/discuss how the quality of performance can contribute to the success and/or failure of each business function
- ❖ outline the quality indicators for each business function
- ❖ elaborate on the meaning of TQM
- ❖ define/identify the following TQM elements from given scenarios/statements:
  - continuous skills development/education and training
  - total client/customer satisfaction
  - continuous improvement to processes and systems
  - adequate financing and capacity
  - monitoring and evaluation of quality processes
- ❖ explain/discuss/analyse/evaluate the impact of the above-stated TQM elements on large businesses
- ❖ explain how businesses can apply the PDCA model/steps to improve the quality of products
- ❖ explain the role/importance of quality circles as part of continuous improvement to processes and systems



## Learning objectives

- ❖ explain/discuss the impact of TQM if poorly implemented by businesses
- ❖ explain/recommend/suggest ways in which TQM can reduce the cost of quality.



## Key concepts

- **Quality:** the ability of a product/service to satisfy specific needs of consumers.
- **Quality control:** a system that ensures the desired quality is met by inspecting the final product to ensure that it meets the required standards.
- **Quality assurance:** checks carried out during and after the production process.
- **Quality management:** the process of managing all activities needed to ensure a business produces products/services of consistently high standards.
- **Quality performance:** the total performance of each department measured against the specified standards.
- **Quality management systems:** a quality management system is a framework that a business uses to manage key organisational processes.
- **Total Quality Management (TQM):** an integrated system/methodology/process applied throughout the organisation, which helps to design/produce/provide quality products/services to customers.
- **Continuous skills development/Education and training:** the commitment of the business to participate in the continuous skills development/education and training of all the employees at all levels within the business.
- **Total client/customer satisfaction:** the ability/commitment of the business to achieve total client/customer satisfaction.
- **Continuous improvement to processes and systems:** the ability/commitment of the business to pursue/execute/achieve continuous improvement of processes and systems.
- **Adequate financing and capacity:** the ability of the business to provide/acquire the correct adequate financing and capacity for all operational requirements in the pursuit of implementing TQM effectively.
- **Monitoring and evaluation of quality processes:** the effective implementation of TQM requires monitoring and evaluation of quality processes throughout the entire business.
- **Quality circles:** a group of employees with a variety of skills and experience coming together to solve problems related to quality/to implement improvements.
- **Standards:** the technical specifications/criteria reflected in the level of quality of goods/services.

## Introduction

In Grade 10 we learned about the eight business functions, the meaning of quality, quality control, and quality assurance. You were required to distinguish between quality control and quality assurance, and discuss the importance of quality for businesses. You also had to explain how quality relates to the human resources function, administration function, financial function, and general management function. A detailed description on the differences between quality control and quality assurance was discussed in Grade 11. You also learned about the importance of quality circles and the meaning of Total Quality Management (TQM).

# Unit 7.1 Quality and quality concepts

## Introduction to quality

The main aim of businesses is to maximise profits through the provision of high-quality products and services. It is important that businesses implement various quality concepts in order to retain customers, increase profitability and remain sustainable.


**TIP**

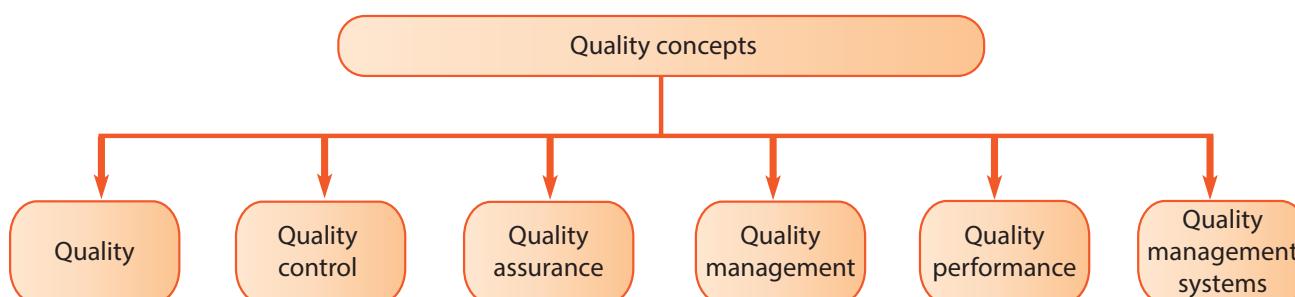
Ensure that you have a sound conceptual understanding of the FIVE quality concepts as this will enable you to understand the sub-topics that follow.



In the pursuit of ensuring and improving quality, a business must consider the needs/wants of the customers and the degree to which the business meets these needs/wants. Businesses that improve the quality of their products are financially sustainable and have a larger share of the market.

## Defining quality concepts

The different quality concepts are illustrated in the diagram below.



Let's look at each one in more detail.

## Quality

- Quality is the ability of a product/service to satisfy the specific needs of consumers.
- It is measured against specific criteria such as physical appearance/reliability/durability/sustainability/after-sales services.
- The efficiency of services and the ability to provide an effective outcome without too many delays.

**TIP**

Quality control is the start of the quality control processes. Refer to bullet 2 and 3 on the left.

## Quality control

- A system that ensures the desired quality is met by inspecting the final product to ensure that it meets the required standards.
- Includes setting targets/measuring performance and taking corrective measures.
- Checking raw materials/employees/machinery/workmanship/production/processes to ensure that high quality standards are maintained.



### QR CODE

Watch the video below for more information about quality concepts.



[https://www.youtube.com/watch?v=Xslaf-Baj9j&list=PLpEujd\\_oz5b-PuRzNqyJEq6mnBqxVpZt-K&index=2](https://www.youtube.com/watch?v=Xslaf-Baj9j&list=PLpEujd_oz5b-PuRzNqyJEq6mnBqxVpZt-K&index=2)

## Quality assurance

- Checks are carried out during and after the production process.
- Ensure that required standards have been met at every stage of the process.
- Processes are put in place to ensure that the quality of products/services/systems adheres to pre-set standards with minimal defects/delays/shortcomings.
- Ensure that every process is aimed at getting the product 'right the first time' and purposefully/actively preventing mistakes from happening.

## Quality management

- The process of managing all activities needed to ensure a business produces products/services of consistently high standards.
- Refer to techniques/tools used to design/improve the quality of a product.
- Can be used for accountability within each of the business functions.
- Aims to ensure that the quality of products/services is consistent./Focuses on the means to achieve consistency.

## Quality performance

- The total performance of each department is measured against the specified standards.
- Can be obtained if all departments work together towards the same quality standards.
- Quality is measured through physical product/statistical output of processes/surveys of the users and/or buyers/consumers of products/services.

## Quality management systems

- A quality management system is a framework that a business uses to manage key organisational processes.
- It is a formalised system that documents procedures/processes/responsibilities for achieving quality policies/objectives.
- Coordinates/directs organisational activities to meet customer/regulatory requirements/improve its effectiveness/efficiency/accuracy on a continuous basis.
- It is expressed as organisational goals/aspirations/processes/policies/documentated information/resources needed to implement and maintain quality standards in the business.

**TIP**

Quality performance cannot take place without quality management as management must take a lead in setting quality standards for EACH business function.



**TIP**

Quality management systems incorporate the implementation of the above mentioned FIVE quality concepts.

**TIP**

Ensure that you can differentiate/distinguish between quality control and quality assurance. The differences do not have to be in a table, but the differences must be clear.



## The differences between quality control and quality assurance

**Take note**

Take note of the second bullet under quality assurance, as this fact will be repeated in unit 7.2 under TQM.

Quality control	Quality assurance
<ul style="list-style-type: none"> <li>System that ensures the desired quality is met by inspecting the final product.</li> </ul>	<ul style="list-style-type: none"> <li>Checks carried out during and after the production process.</li> </ul>
<ul style="list-style-type: none"> <li>Ensures that finished products meet the required standards.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures that required standards have been met at every stage of the process.</li> </ul>
<ul style="list-style-type: none"> <li>Includes setting targets/measuring performance and taking corrective measures.</li> </ul>	<ul style="list-style-type: none"> <li>The 'building in' of quality as opposed to 'checking for' quality.</li> </ul>

**TIP**

Both quality control and quality assurance deal with products inspection and they are both aimed at achieving the required standards.



Take note of the following **key words** that will enable you to explain the differences between quality control and quality assurance.

Quality control	Quality assurance
<ul style="list-style-type: none"> <li>Final product</li> <li>Desired quality</li> <li>Targets</li> </ul>	<ul style="list-style-type: none"> <li>During and after</li> <li>Required standard</li> <li>'Building in'</li> </ul>

**TIP**

Ensure that you can differentiate/distinguish between quality management and quality performance. The differences do not have to be in a table, but the differences must be clear.



## The differences between quality management and quality performance

Quality management	Quality performance
<ul style="list-style-type: none"> <li>Techniques/tools/methods used to design/improve the quality of a product.</li> </ul>	<ul style="list-style-type: none"> <li>The total performance of each department is measured against the specified standards.</li> </ul>
<ul style="list-style-type: none"> <li>Can be used for accountability within each of the business functions.</li> </ul>	<ul style="list-style-type: none"> <li>Can be obtained if all departments work together towards the same quality standards.</li> </ul>
<ul style="list-style-type: none"> <li>Aims to ensure that the quality of products/services is consistent./Focuses on the means to achieve consistency.</li> </ul>	<ul style="list-style-type: none"> <li>Quality is measured through physical product/statistical output of processes/surveys of the users and/or buyers/consumers of products/services.</li> </ul>

**TIP**

Quality management is done by top management who is responsible for designing techniques/tools that will be used by different departments. Each department uses the techniques/tools as guidelines on how they can improve the quality of their products/services. Furthermore, the techniques/tools guide departments on the expected quality products that must be produced.



**• 8 | Activity 7.1****Classwork/Homework****QUESTION 1**

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

**MUNBLE BOTTLING (MB)**

Munble Bottling developed new methods and techniques to improve the quality of their products. MB ensures that all their processes enable them to get the product right the first time to prevent mistakes from happening.

- 1.1.1** Identify TWO quality concepts applied by MB. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

QUALITY CONCEPTS	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2** Elaborate on the meaning of TWO other quality concepts.

(6)

[12]

## The advantages/benefits of a good quality management system

- Effective customer services are rendered, resulting in increased customer satisfaction.
- Time and organisational resources such as finance/raw materials/labour are used efficiently.
- Productivity increases through proper/effective time management/using high-quality resources.
- Products/Services are constantly improved resulting in increased levels of customer satisfaction.
- Enhances the ability of the business to achieve its vision/mission/goals.
- The business has a/improves its competitive advantage over its competitors.
- Regular training will continuously improve the quality of employees' skills/knowledge/competencies.
- Employers and employees will have a healthy working relationship resulting in happy/productive workers./Improves the employee morale/productivity within the businesses.
- Increased market share/more customers improve profitability.
- Improves business image as there are fewer defects/returns.
- Improves the financial sustainability of the business as customers are retained.

**?) Did you know**

A good quality management system does not only benefit the business. Employees and customers also enjoy these benefits. Do you agree? Validate this question by referring to the advantages/benefits of a good quality management system on the right.

**TIP**

Businesses that correctly implement the quality concepts will be able to enjoy the benefits of a good quality management system.



**QR CODE**

Watch the video below for more information about the advantages/benefits of a good quality management system.



[https://www.youtube.com/watch?v=Lp75Uw-p92rA&list=PLpEujd\\_oz5b-PuRzNqyJJEq6mnbxVpZt-K&index=4](https://www.youtube.com/watch?v=Lp75Uw-p92rA&list=PLpEujd_oz5b-PuRzNqyJJEq6mnbxVpZt-K&index=4)

**TIP**

All quality indicators show what EACH business function must do in order to achieve quality.

**QR CODE**

Watch the video below for more information about the quality indicators of each business function.



<https://www.youtube.com/watch?v=PkTmaJe50r4>

**Activity 7.2****Classwork/Homework**

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

**ANDRIES ENGINEERING (AE)**

Regular training is conducted at Andries Engineering, which continuously improves the quality of their employees' skills. Management has organised a strategic planning meeting. AE takes pride in providing efficient customer services to increase the level of customer satisfaction. Employees are involved in the strategic planning meetings of AE.

- 1.1.1** Quote TWO benefits of a good quality management system from the scenario above. (2)
- 1.1.2** Advise the management of AE on other benefits of a good quality management system. (8) [10]

**Quality of performance/Quality indicators of each business function**

The quality of performance in each business function directly influences the extent to which the business can achieve quality throughout the business. Every business should know the quality indicators required to meet expectations and this must be communicated to all employees in various departments. You are once again reminded that you learnt about the meaning of different business functions in Grade 10. In grade 12 we focus on how each business function can contribute to the success of the business. The contribution of each business function to the success of the business is also known as quality indicators. .

**TIP**

Ensure that you master this section very well. This will enable you to answer the following questions:

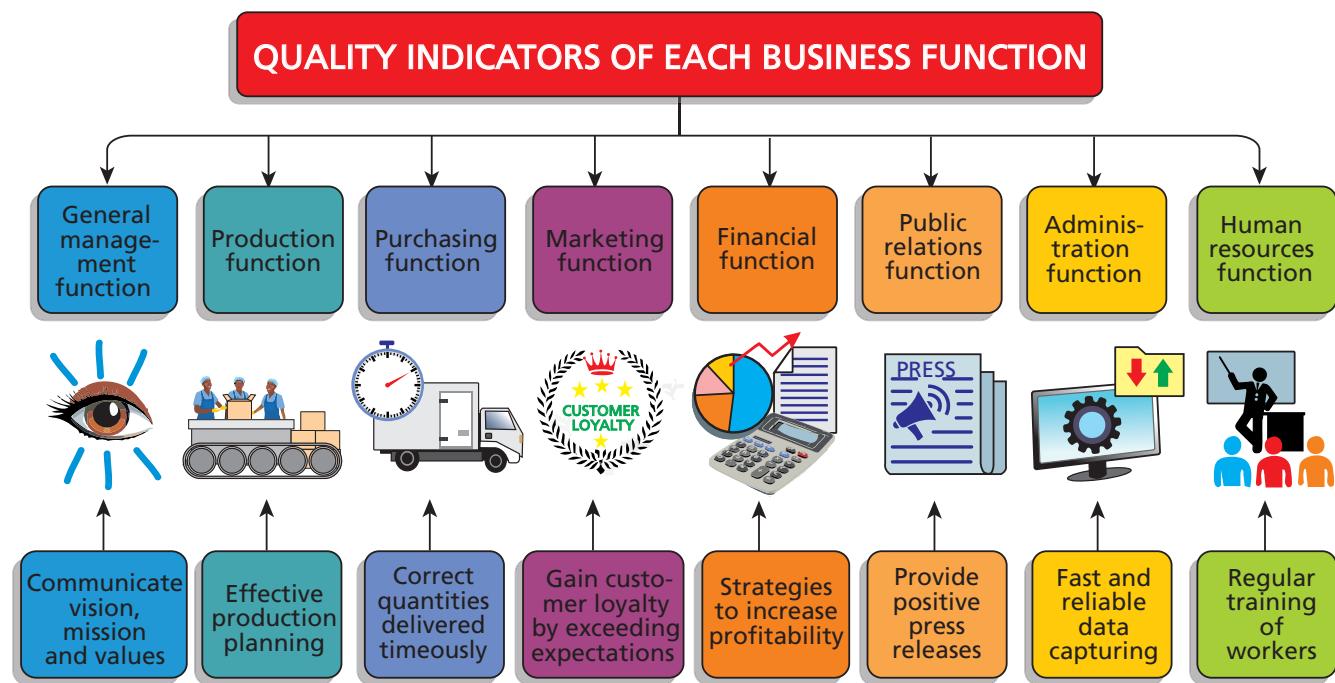
- Identify any business function from given scenarios/statements.
- Explain how the quality of performance of EACH business function can contribute towards the success of a business.
- Suggest the quality indicators of EACH business function.

**NOTE**

This means that you may be assessed on either **quality of performance** of business functions or **quality indicators** of business functions, but the answer is the SAME.



The quality indicators of each business function are illustrated in the diagram below.



Let's look at each one in more detail.

### General management function

#### The contribution of the general management function to the success of a business/Quality indicators of the general management function

- Develop/Implement/Monitor/Maintain effective strategic plans.
- Efficient organisation/allocation of business/organisational resources to provide for the achievement of long-term and short-term plans.
- Structured standards and norms should be in place so that control mechanisms can be implemented.
- Effectively communicate a shared vision, mission, and values.
- Set direction and establish priorities for their business.
- Lead by example./Set an example of the behaviour that is expected from employees regarding ethics/professionalism/productivity/work ethic.
- Ensure that all departments/the business meet(s) their deadlines/targets/achieve goals.



Watch the video below for more information about how the quality of performance can contribute to the success and/or failure of each business function.



[https://www.youtube.com/watch?v=Yz4pCrH\\_V5A&list=PLpEujd\\_oz5b-PuRzNqyJJEq6mnBqxVpZt-K&index=4](https://www.youtube.com/watch?v=Yz4pCrH_V5A&list=PLpEujd_oz5b-PuRzNqyJJEq6mnBqxVpZt-K&index=4)

### Production function

#### The contribution of the production function to the success of a business/Quality indicators of the production function

- The production manager should provide/ensure high-quality products/services according to specifications.
- The production/operating processes of a business are done through proper/effective production planning/control.
- The production manager should aim to produce products at the lowest possible cost to ensure profit maximisation.
- The production manager should communicate the roles and responsibilities to the production workers.
- Products meet customers' requirements by being safe/reliable/durable.
- Monitor processes and find/determine the root causes of production problems.
- Implement quality control systems to ensure that quality products are consistently being produced.

### Purchasing function

#### The contribution of the purchasing function to the success of a business/Quality indicators of the purchasing function

- Buying raw materials in bulk at lower prices.
- Ensures required quantities are delivered at the right time and place.
- Selecting reliable suppliers that render the best quality raw materials/capital goods at reasonable prices.
- Placing orders timeously and ensuring regular follow-ups so that goods are delivered on time.
- Effective coordination between purchasing and production departments so that purchasing staff understand the requirements of the production process.
- Implementing and maintaining stock control systems to ensure the security of stock.
- Establishing sound professional relationships with suppliers, so that they are in alignment with the vision/mission/values of the business.

#### TIP



There is a relationship between the production function and the purchasing function. The production function depends on the purchasing function for the correct supply of raw materials, etc..

### Marketing function

#### The contribution of the marketing function to the success of a business/Quality indicators of the marketing function

- Acquire a greater market share through good/effective/efficient customer service.
- Gain customers' loyalty by satisfying/meeting/exceeding their needs/wants/building positive relationships.
- Adhere to ethical advertising practices when promoting products/services.
- Identify competitive edge/gaps in the market and conduct regular market research.
- Differentiate products from competitors to increase the target market/profitability.
- Use different pricing techniques such as promotional/penetration pricing, and so on, to ensure a competitive advantage.
- Use aggressive advertising campaigns to sustain the market share.

## Financial function

### The contribution of the financial function to the success of a business/Quality indicators of the financial function

- Analyse/Apply/Devise/Implement strategies to increase profitability.
- Obtain/Acquire capital from the most suitable/available/reliable sources.
- Negotiate better interest rates to keep the financial cost down/reduce financial costs.
- Draw up/Implement budgets correctly to ensure sufficient application of monetary resources.
- Update financial records regularly to ensure timely/accurate tax payments.
- Implement financial control measures/systems/processes to prevent fraud.
- Implement credit-granting/debt collecting policies to monitor cash flow.

## Public relations function

### The contribution of the public relations function to the success of a business/Quality indicators of the public relations function

- Address negative publicity quickly/instantly to ensure less/little/no incidents regarding negative publicity.
- Provide regular/positive press releases.
- Implement sustainable Corporate Social Investment (CSI) programmes.
- Provide good results of/Positive feedback from public surveys on the business image.
- High standards of internal publicity/appearance of buildings/professional telephone etiquette, and so on.
- Deliver quality products/services that promote the brand/image with key stakeholders/customers/suppliers/government/service providers.
- Compliance with recent legislation, for example, BBBEE compliance/implementing employment equity plans, and so on.

## Administration function

### The contribution of the administration function to the success of a business/Quality indicators of the administration function

- Fast and reliable data capturing and processing systems.
- Make reliable information available to management on time.
- Make relevant information available for quick decision-making.
- Use modern/updated technology efficiently/effectively.
- All documentation is kept neatly and orderly in a safe place.
- Easy to recall/find information/documentation.
- Financial documents are kept up to date and recorded accurately.

## Human resources function

### The contribution of the human resources function to the success of a business/Quality indicators of the human resources function

- Ensure the correct implementation/application of an effective recruitment policy to attract the best candidates to the business.
- Ensure fair/equitable selection process aligned to various legislative requirements.
- Fair remuneration packages aligned to the industry.
- Ensure sufficient/updated/ongoing/regular training of employees to improve their skills/knowledge/abilities/competencies.
- Offer performance incentives for staff to enhance productivity.
- Sound/positive relationships with employees improve employee morale.
- Low staff turnover/low **employee attrition rates** in the business.



### TIP

Ensure that you do not confuse the quality indicators of the marketing function with the public relations function. The public relations function is about promoting the image of the business as a whole. Whereas the marketing function is about promoting the sales of products/services and attracting more customers.

Therefore, public relations focuses on the business and marketing focuses on the product in order to increase market share.

### A New words

**employee attrition rates** the rate at which the business can retain their employees.

• Activity 7.3 Classwork/Homework
**QUESTION 1**

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

**MOPELI ENTERPRISES (ME)**

Mopeli Enterprises offer performance incentives to all employees to improve productivity. Sam places orders timeously and ensures regular follow-ups with suppliers. Thandi ensures that accurate tax payments are submitted timeously. Johan was requested to promote the image of ME to various stakeholders.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

QUALITY INDICATORS (1.1.1)	BUSINESS FUNCTIONS (1.1.2)
1.	
2.	
3.	
4.	

- 1.1.1** Quote FOUR quality indicators of the business functions from the scenario above. (4)  
**1.1.2** Classify EACH quality indicator quoted in QUESTION 1.1.1 according to the relevant business function. (8)  
**1.1.3** Explain the quality indicators of any TWO other business functions. (6)

[18]

**QR CODE**

Watch the video below for more information about Total Quality Management (TQM).



[https://www.youtube.com/watch?v=6D5lc-qv7Z6w&list=PLpEujd\\_oz5bPuRzNqyJJEq6mnbxqVpZtK&index=5](https://www.youtube.com/watch?v=6D5lc-qv7Z6w&list=PLpEujd_oz5bPuRzNqyJJEq6mnbxqVpZtK&index=5)

## Unit 7.2 Total Quality Management (TQM)

Businesses use TQM to streamline/enhance customer service, supply chain management and ensures that all employees are adequately trained. The focus of TQM is therefore, a multidimensional approach that takes place throughout the business at all levels, to improve the quality of the products/services, through the continual improvement of internal practices.

Total Quality Management (TQM) is a structured/functional approach to overall business management. It is an ongoing/continuous process of detecting/reducing/eliminating errors. All businesses strive to get the products right the first time and satisfy the needs of the customers beyond expectations. This can be achieved by implementing TQM.

TQM can be successfully achieved/implemented in the business by effectively integrating all quality-related functions/processes/procedures throughout the entire business. TQM enables all employees/parties involved in the various business processes to be held accountable for the quality of the products/services.

**SCENARIO ON TQM**

Can you think of any example that depicts TQM? Consider the following scenario.

As soon as Buhle entered the restaurant, the waitress welcomed him with a friendly greeting and escorted him to his seat. The ambience in the restaurant was particularly befitting, as the soft background music complemented the cleanliness of the establishment. The knowledgeable waitress made recommendations for a meal choice. While waiting for his food, Buhle used the restroom which was well maintained and spotless. Buhle's meal was excellent, tasty and fresh. He is prepared to pay the bill of R200 for the meal and provided a tip to the waitress because he was satisfied beyond his expectations.

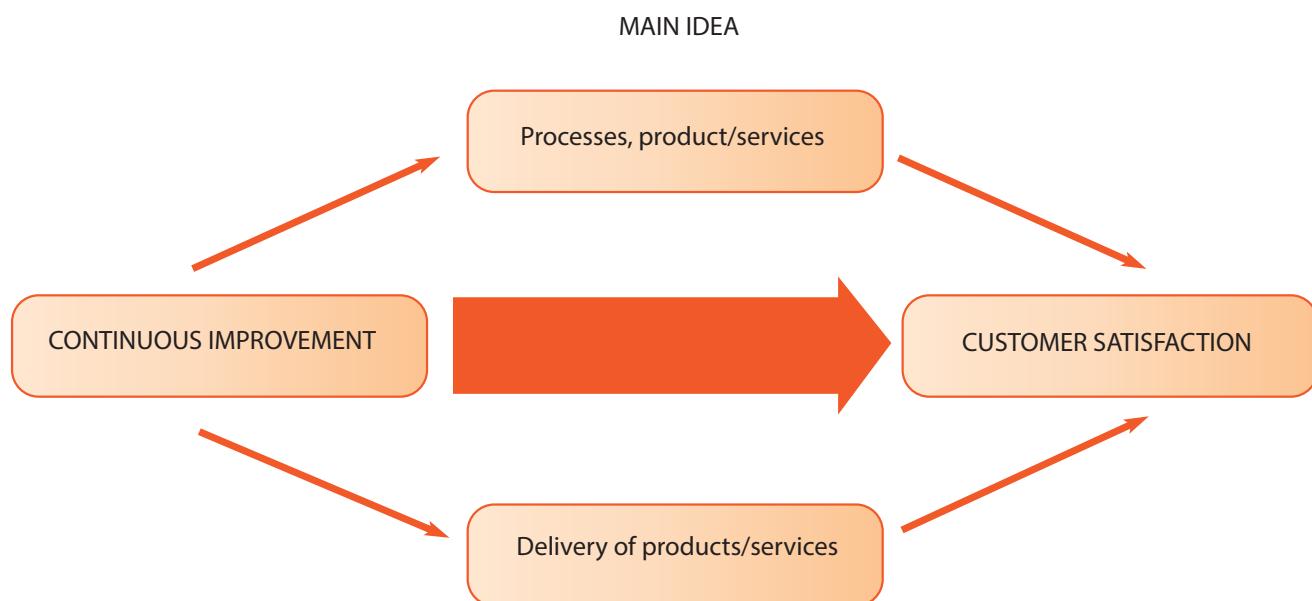
**NOTE**

The purpose of the scenario on the left is to illustrate the meaning of TQM in terms of meeting the satisfaction of customers beyond expectations. TQM is not only about the product but includes/involves all aspects of the business..

## The meaning of TQM

- TQM is an integrated system/**methodology**/process applied throughout an organisation. It enables businesses to design/produce/provide quality products/services for customers.
- It is a **thought revolution** in management, where the entire business and all business activities is operated with customer orientation.
- TQM enables businesses to continuously improve on the delivery of products/services to satisfy the needs of customers.
- Management ensures that each employee is responsible/accountable for the quality of his/her work/actions.

TQM is about continuous improvement as illustrated in the diagram below.



Businesses can achieve total quality management through the implementation of the FIVE TQM elements illustrated in the diagram on the following page. Your attention is drawn to the first TWO TQM elements which emphasise the word "continuous". This supports the diagram above.

### A New words

**methodology** a systematic/sequential process of conducting a particular activity

**thought revolution** a significant change/transformation to existing ideas/perceptions/beliefs and the effective application thereof

## TQM elements

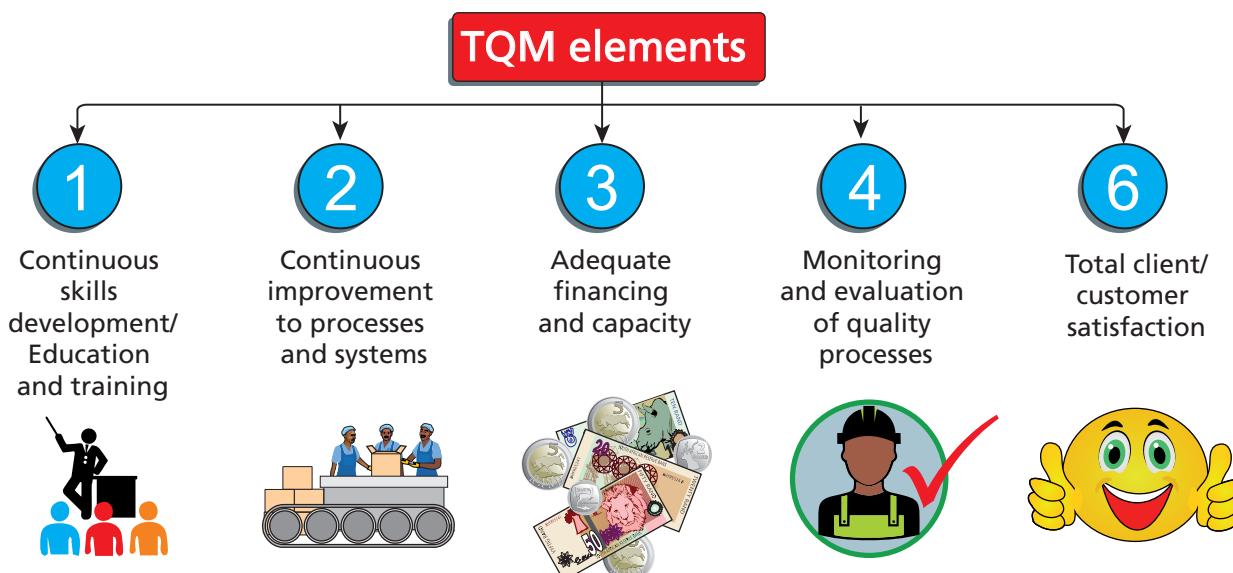
**TIP**

Ensure that you know the FIVE TQM elements very well. This will enable you to answer the following questions:

- Identify the various TQM elements from different scenarios/statements.
- Define/Describe the various TQM elements.



The TQM elements are illustrated in the diagram below.



### Take note

Additional facts are provided for each TQM element below to improve your understanding/meaning/interpretation of these TQM elements.

**TIP**

Ensure that you make a concerted effort to learn these TQM elements as they cannot be paraphrased or reworded. For example: You must state: 'Continuous improvement to processes and systems'. Avoid rephrasing each TQM element as no marks will be awarded for this error.



Let's look at each one in more detail.

**TIP**

To be on the safe side, know BOTH the positive and negative impact of the FIVE TQM elements as either one can be assessed. The impact of the TQM elements on large businesses are discussed in detail on page 182–185..



### Continuous skills development/Education and training

- The commitment of the business to participate in the continuous skills development/education and training of all employees at all levels within the business.
- The correct/proper/efficient/effective training programmes must be conducted/provided/sourced to train employees for the correct application of the various TQM concepts/techniques/processes.
- The business should conduct a skills audit to determine the qualifications/experience/competencies of employees in their ability to influence the quality of products/services/processes.

## Continuous improvement to processes and systems

- The ability/commitment of the business to pursue/execute/achieve continuous improvement to processes and systems.
- The business cannot become complacent with current practices and must continuously/constantly/regularly apply means to enhance/improve existing processes and systems.
- Businesses need to improve on their processes and systems such as the operating system/service delivery system/production system.

**TIP**

The PDCA model and quality circles as part of continuous improvement to processes and systems will be discussed in detail on page 186–187.

## Adequate financing and capacity

- The ability of the business to provide/acquire adequate financing and capacity for all operational requirements in the pursuit of implementing TQM effectively.
- The business needs to ensure that there is adequate financing and capacity available for all operations/projects/activities to meet TQM requirements.
- To ensure that there is adequate financing and capacity, the business needs to apply sound financial management practices such as investing surplus funds/budget correctly.

## Monitoring and evaluation of quality processes

- The effective implementation of TQM requires monitoring and evaluation of quality processes throughout the entire business.
- The business needs to monitor and evaluate quality processes to determine/enhance the strengths/success and reduce/remove weaknesses/barriers/obstacles in achieving/pursuing TQM.
- This is a critical/important aspect within TQM as it allows the business to enhance existing practices and ultimately improve the degree to which the business meets/exceeds customer needs.

## Total client/customer satisfaction

- The ability/commitment of the business to achieve total client/customer satisfaction.
- The business must strive to provide quality products/services to meet/exceed customer needs/expectations/satisfaction.
- Sound knowledge/information/market research regarding current/future customer needs is vital/critical in attaining this TQM element.

● ● | Activity 7.4 Classwork/Homework
**QUESTION 1**

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

**SCHOEMAN POULTRY LIMITED (SPL)**

Schoeman Poultry Limited specialises in different types of poultry. The management of SPL ensures that they understand the business operating and production systems. Market research is always conducted by SPL to monitor the needs of consumers.

- 1.1.1** Identify TWO total quality management (TQM) elements applied by SPL. Motivate your answer by quoting from the scenario above. Use the table below as a GUIDE to answer QUESTION 1.1.1.

TQM ELEMENTS	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2** Elaborate on the meaning of TWO other TQM elements.

(6)

**[12]****TIP**

Make sure that you know the impact of the TQM elements on large businesses very well.



## The impact of the TQM elements on large businesses

The different TQM elements can influence the operations of large businesses positively and/or negatively. Large businesses must ensure that all stakeholders have the necessary knowledge to enhance the ability of the business to improve the positive impact and reduce the negative impact of TQM.

Let's have a look at how the different TQM elements can influence a business in a positive and/or negative way.

### Continuous skills development/Education and training

**Positives/Advantages**

- Large businesses have a human resources department dedicated to skills training and development.
- Human resources experts ensure that training programmes are relevant/applicable to increased customer satisfaction.
- Ability to afford specialised/skilled employees.
- May conduct skills audit to establish the competency/education levels of staff performing work, which could affect the quality of products/services/processes positively.
- May be able to hire qualified trainers to train employees regularly.

**AND/OR**

## Continuous skills development/Education and training cont.

### Negatives/Disadvantages

- Poor communication systems in large businesses may prevent effective training from taking place.
- Trained employees may leave for better jobs after they have gained more skills.
- Employees may become demotivated if they do not receive recognition/ acknowledgement for training.
- Employees may not be aware of the level of competency they should meet to achieve their targets.
- It may be difficult to monitor/evaluate the effectiveness of training.

## Continuous improvement to processes and systems

### Positives/Advantages

- Large businesses have more available/readily available resources to check on quality performance in each unit.
- Enough capital resources are available for new equipment/technology required for processes and systems.
- Large businesses have a person/department dedicated to the improvement of processes and systems.
- They can afford to use the services of the quality circles to stay ahead of their competitors.
- Large businesses are willing to take risks/try new processes and systems because they can absorb the impact of losing money/financial resources.

**AND/OR**

### Negatives/Disadvantages

- Quality control can become complicated with large-scale manufacturing processes.
- Systems and processes take time and effort to implement in large businesses as communication/buy-in may delay the process.
- Risk of changing parts of the business that are working well.
- Not all negative feedback from employees and customers is going to be accurate, which may result in incorrect/unnecessary changes to systems and processes.
- Limitations regarding the availability of machinery/technology may influence the ability of large businesses to continuously improve processes and systems.

## Adequate financing and capacity

### Positives/Advantages

- Large businesses have sufficient financing to test all processes before its implementation.
- They can afford to have systems in place to prevent errors in processes/defects in raw materials/products.
- Able to afford product research/market researchers to gather information.
- Can afford to purchase quality raw materials and equipment.
- Large businesses can afford high-paid specialists to conduct advanced training with employees.

**AND/OR**

**Adequate financing and capacity**

cont.

**Negatives/Disadvantages**

- If the demand for the business's product suddenly increases, orders begin coming in faster than expected, and the company lacks the capital required to fund the production of the stock to fill the orders.
- Large rapidly growing businesses can consume large amounts of capital as they try to balance normal operations and expansion.
- Large businesses often spend large amounts of money on organisational resources/machinery and often the return on investment is not earned in the short term.
- Financial capital is wasted when incorrect financial planning/budgeting/ineffective financial management processes exist.
- Incorrect financial planning./Huge amounts of accumulated debt by a large business may limit the growth strategy of the business/limit the ability of the business to meet its financial obligations.

**TIP**

Avoid confusing continuous improvement to processes and systems with adequate financing and capacity as it is not the same TQM element. Take note of the differences below.

<b>Continuous improvement to processes and systems</b>	<b>Adequate financing and capacity</b>
<ul style="list-style-type: none"> <li>• Enough capital resources are available for <b>new equipment</b> required for processes and systems</li> </ul>	<ul style="list-style-type: none"> <li>• Large businesses have sufficient financing to <b>test</b> everything before <b>implementing</b></li> </ul>
<ul style="list-style-type: none"> <li>• Ability to afford skilled employees</li> </ul>	<ul style="list-style-type: none"> <li>• Can afford to purchase quality raw materials and equipment</li> </ul>

**TIP**

Monitoring and evaluation of quality processes as a TQM element is aimed at monitoring and evaluating the effectiveness of the implementation of the other FOUR TQM elements.

**Monitoring and evaluation of quality processes****Positives/Advantages**

- Monitoring and evaluating quality processes prevent product defects/minimises customer complaints.
- Good quality control checks/procedures minimises the replacement/breakdown of items/equipment/machinery regularly.
- Large businesses may be better equipped to get things right the first time.
- Improve performance and increase productivity/sales/profitability.
- Modify interventions that may improve the efficient use of resources.

**AND/OR****Negatives/Disadvantages**

- Large businesses are often divided and the departments work in **silos**.
- It is difficult to get everyone to communicate effectively and often messages are not received correctly.
- It often takes longer to detect problems or respond to weaknesses.
- It is not viable/possible to check the quality of all the products.
- Limited active/accurate monitoring and evaluation of quality processes may occur as some managers may view/apply this TQM element as a mere routine/formality.

**A New words**

**silos** departments/groups within large businesses fail to/do not share information/resources/knowledge with other individuals/departments/groups with whom they work

**Total client/customer satisfaction****Positives/Advantages**

- Large businesses use market research/customer surveys to measure/monitor customer satisfaction/analyse customers' needs.
- Continuously promote/foster a positive business image.
- Strive to understand and fulfil customer expectations by aligning cross-functional teams across critical processes.
- May lead to higher customer retention/loyalty and businesses may be able to charge higher prices.
- Large businesses may be able to gain access to the global market.

**AND/OR****Negatives/Disadvantages**

- Employees who seldom come into contact with customers often do not have a clear idea of what will satisfy their needs.
- A large business that is characterised as a **monopoly** has increased bargaining power and therefore does not pursue customer satisfaction/does not have to satisfy/meet customer needs.
- Not all employees may be involved/committed to total client satisfaction.
- Reaction time to changing consumer demand may be influenced by a delay in market research/information.
- Large businesses that become complacent with (the) existing customer satisfaction/target market may experience limited long-term growth potential.

**TIP**

All businesses strive to achieve this main TQM element.

**A New words**

**monopoly** characterised by one business that sells a unique product and dominates the market

**Activity 7.5****Classwork/Homework****QUESTION 1**

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

**NATIONAL SATELLITE SERVICES (NSS)**

The management of National Satellite Services always modify interventions that may improve the efficient use of resources. This is done to achieve total quality management within the business.

- 1.1.1** Identify the TQM element applied by NSS. Motivate your answer by quoting from the scenario above. (3)
- 1.1.2** Discuss other advantages of the TQM element identified in QUESTION 1.1.1. (6)  
[9]

**QUESTION 2**

**2.1** Read the scenario below and answer the question that follow.

**BOOYSEN TILE PRODUCERS (BTP)**

Skills audits are conducted by Booysen Tile Producers to determine the competencies of employees. BTP has enough capital for running all their operations. Regular market research has enabled BTP to determine future needs of customers.

## Activity 7.5

## Classwork/Homework

cont.

- 2.1.1** Identify THREE total quality management (TQM) elements applied by BTP.  
Motivate your answer by quoting from the scenario above.  
Use the table below as a GUIDE to answer QUESTION 2.1.1.

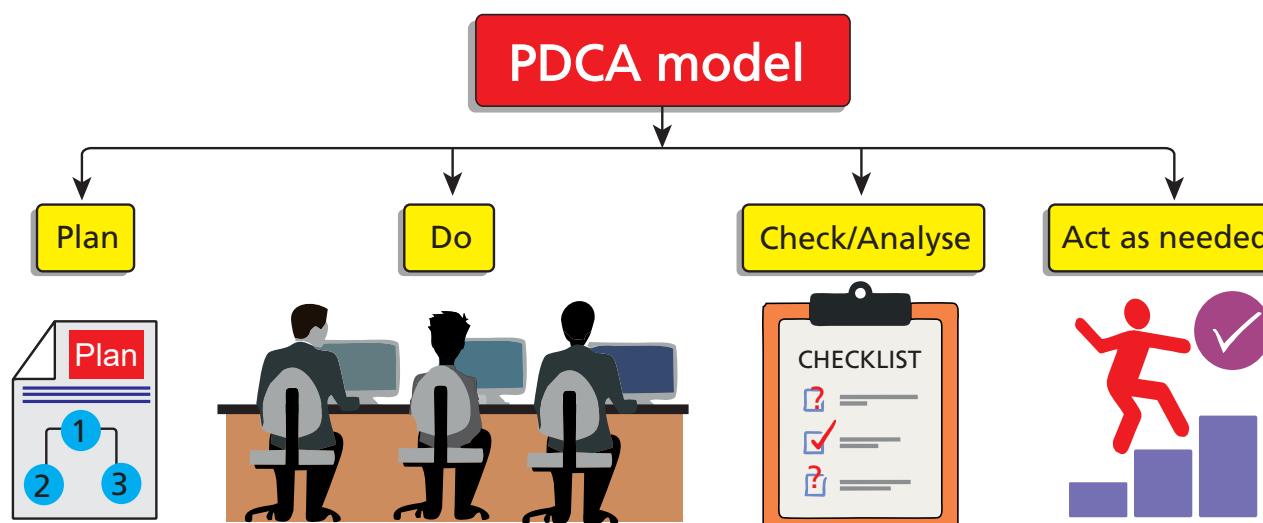
TQM ELEMENTS	MOTIVATIONS
1.	
2.	
3.	

(9)

- 2.1.2** Discuss the impact of any TWO of the TQM elements identified in QUESTION 2.1.1 on BTP as a large business. (12) [21]

## Application of PDCA model/Steps to improve the quality of products

The PDCA (Plan, Do, Check/Analyse, Act as needed) model forms part of continuous improvement to processes and systems as a TQM element. This model enables businesses to continuously plan and improve their processes and systems in order to satisfy the needs of customers beyond expectations. It was mentioned on page 181 that the PDCA model will be discussed in detail, as it forms part of continuous improvement to processes and systems. The PDCA model is illustrated in the diagram below.



Let's look at each element of the PDCA model in more detail.

Plan	<ul style="list-style-type: none"> <li>The business should identify the problem and develop a plan for improvement to processes and systems.</li> <li>Answer questions such as 'What to do'/'How to do it'.</li> <li>Plan the new method and approach to improve the quality of their products.</li> <li>The plan must be logical/sequential for implementors to understand it.</li> </ul>
Do	<ul style="list-style-type: none"> <li>The business should implement the change on a small scale.</li> <li>Implement the processes and systems as planned.</li> <li>During this step, the implementors aim to effectively/accurately execute the change based on the plan/method.</li> <li>This step is essential in determining whether the change has viability/potential.</li> </ul>
Check/ Analyse	<ul style="list-style-type: none"> <li>Use data to analyse the results of change.</li> <li>Determine whether it made a difference and what needs to be improved.</li> <li>Check whether the processes are working effectively.</li> <li>The business should assess/test and establish if it is working/if things are going according to plan.</li> </ul>
Act as needed	<ul style="list-style-type: none"> <li>Implement the improvement to meet the needs of the business.</li> <li>Devise strategies on how to continually improve.</li> <li>If the change was successful, implement it on a larger scale.</li> <li>The business should continuously revise the process until they get it right.</li> </ul>

## The meaning of quality circles as part of continuous improvement to processes and systems

- A group of employees with a variety of skills and experience coming together to solve problems related to quality/to implement improvements.
- They investigate problems and suggest management solutions.
- Management can implement suggestions that were made by quality circles.
- Typical topics/issues discussed by quality circles include, for example, improving safety/product design/manufacturing processes/operational methods, etc.

### Take note

The meaning of quality circles is provided to you as enrichment, to improve your understanding of the role/importance of quality circles as part of continuous improvement to processes and systems.

## The role/importance of quality circles as part of continuous improvement to processes and systems

- Solve problems related to quality and implement improvements.
- Investigate/identify problems and suggest management solutions.
- Ensure that there is no duplication of activities/tasks in the workplace.
- Make suggestions for improving systems and processes in the workplace.
- Improve the quality of products/services/productivity through regular reviews of quality processes.
- Monitor/Reinforce strategies to improve the smooth running of business operations.
- Reduce costs of redundancy in the long run.
- Discuss ways of improving the quality of work/workmanship.
- Contribute towards the improvement and development of the organisation.
- Improve employees' loyalty and commitment to the business and its goals.

### TIP

Know this section very well. Ensure that you are able to describe the role/importance of quality circles as part of continuous improvement to processes and systems.

● ● | Activity 7.6 Classwork/Homework
**QUESTION 1**

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

**INGONYAMA COURIERS (IC)**

Ingonyama Couriers developed a plan for improvement to the processes and systems in response to late deliveries to customers. Data was analysed to determine the results of the change. IC makes use of the services of quality circles.

- 1.1.1** Quote TWO steps of the PDCA model applied by IC. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.1.1.

STEPS OF THE PDCA MODEL	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2** Explain TWO other steps of the PDCA model that could be applied by IC.

(6)

- 1.1.3** Advise IC on the role of quality circles as part of continuous improvement to processes and systems.

(8)

[20]

**TIP**

Know this section very well. Ensure that you are able to discuss the impact of TQM if poorly implemented by businesses.

**QR CODE**

Watch the video below for more information about the impact of TQM if poorly implemented by businesses.



[https://www.youtube.com/watch?v=XrVTOzAc\\_dE&list=PLpEujd\\_oz5bPuRzN-qyJJEq6mnbxVpZtK&index=6](https://www.youtube.com/watch?v=XrVTOzAc_dE&list=PLpEujd_oz5bPuRzN-qyJJEq6mnbxVpZtK&index=6)

**The impact of TQM if poorly implemented by businesses**

- Setting unrealistic deadlines that may not be achieved.
- Employees may not be adequately/efficiently trained, resulting in poor quality products.
- The decline in productivity, because of stoppages/delays.
- Businesses may not be able to make necessary changes to satisfy the needs of customers.
- The reputation of the business may suffer because of faulty products.
- Customers will have many alternatives to choose from, and the impact could lead to losses for the businesses.
- Investors might withdraw investment if there is a decline in profits.
- Bad publicity due to poor quality products supplied.
- The decline in sales when unhappy customers increasingly return product/s.
- High staff turnover because of poor skills development/training.

**TIP**

Businesses that poorly implement the TQM elements will have a negative impact on their business growth and productivity. The table below is used to illustrate this.

Negative impact on the business	TQM element
• High staff turnover	• Continuous skills development/ Education and training
• Poor quality products	• Continuous improvement to processes and systems
• Waste of financial resources	• Adequate financing and capacity
• Disinvestment	• Monitoring and evaluation of quality processes
• Loss of customers/ Decline in sales	• Total client/customer satisfaction

## Ways in which TQM can reduce the cost of quality

- Introduce quality circles to discuss ways of improving the quality of work/workmanship.
- Schedule activities to eliminate duplication of tasks.
- Share responsibility for quality output amongst management and workers.
- Train employees at all levels, so that everyone understands their role in quality management.
- Develop work systems that empower employees to find new ways of improving quality.
- Work closely with suppliers to improve the quality of raw materials/inputs.
- Improve communication about quality challenges/deviations, so that everyone can learn from experience.
- Reduce investment in expensive, but ineffective inspection procedures in the production process.
- Implement proactive maintenance programmes for equipment/machinery to reduce/eliminate breakdowns.

**TIP**

Businesses who implement all FIVE TQM elements reduce the cost of quality. This means that they do not lose money and resources on product defects.

**Activity 7.7****Classwork/Homework****QUESTION 1**

- 1.1** Read the scenario below and answer the questions that follows.

**ONYX INSURANCE PROVIDERS (OIP)**

Onyx Insurance Providers shares responsibility for quality output amongst management and workers. Work systems that empower employees have been developed by OIP to find new ways of improving quality. Certain aspects of TQM are poorly implemented by OIP.

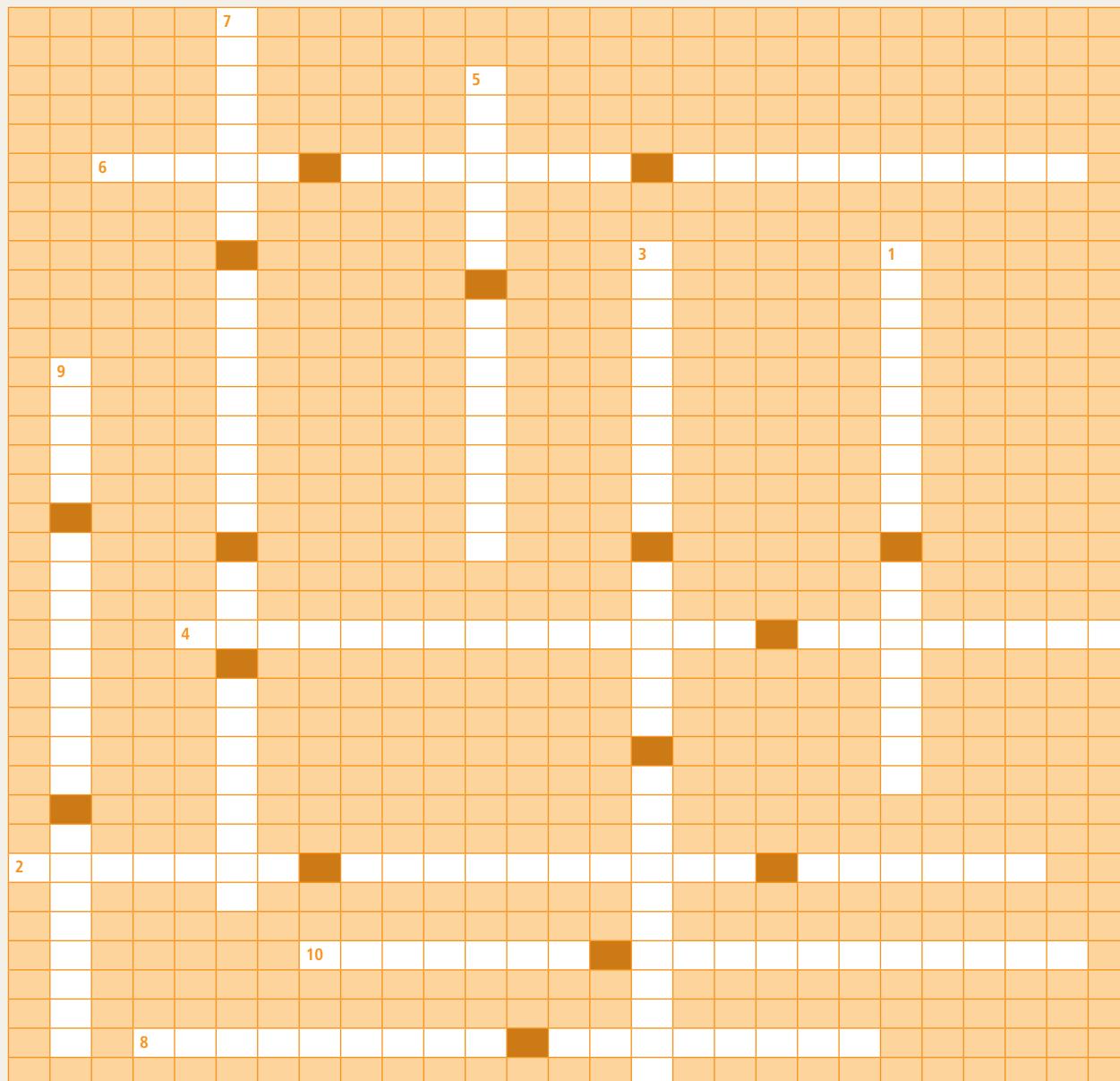
- 1.1.1** Quote TWO ways in which TQM reduces the cost of quality from the scenario above. (2)
- 1.1.2** Explain THREE other ways in which TQM can reduce the cost of quality. (6)
- 1.1.3** Discuss the negative impact of TQM if poorly implemented by OIP as a business. (6)  
[14]

**TIP**

Know this section very well. Ensure that you are able to discuss ways in which TQM can reduce the cost of quality.

**Consolidation****QUESTION 1: Crossword puzzle 1**

Complete the following crossword by using the clues provided.

**DOWN**

- 1 The provision of high-quality products according to specifications is a quality indicator within this business function.
- 3 This TQM element requires that effective training programmes be conducted within the business.
- 5 Ensures that required standards have been met at every stage of the process.
- 7 A disadvantage of this TQM element on large businesses is that large amounts of capital are consumed as the business tries to regulate expansion.
- 9 A quality indicator of this business function is seen by low employee attrition rates.

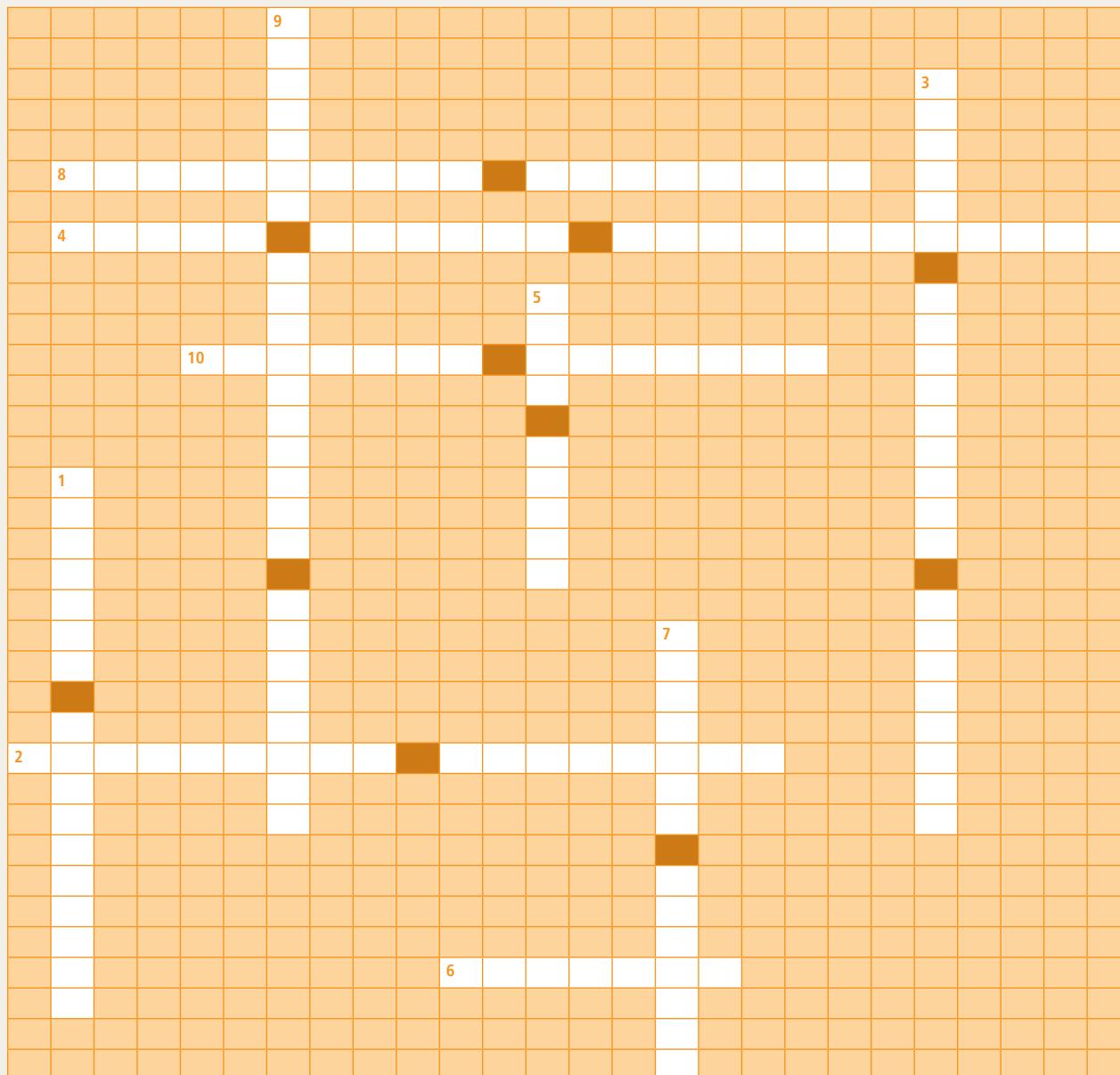
**ACROSS**

- 2 A framework used by the business to manage key organisational processes.
- 4 Relevant information that is made available for quick decision-making indicates a high degree of quality in this business function.
- 6 A thought revolution in management, where the entire business is operated with customer orientation in all business activities.
- 8 The success of this business function is influenced by the correct implementation of the financial budget within the business.
- 10 The total performance of each department is measured against the specified standards.

(10 × 2) (20)

**Consolidation****QUESTION 2: Crossword puzzle 2**

Complete the following crossword by using the clues provided.

**DOWN**

- 1 Can be used for accountability within each of the business functions.
- 3 Implementing sustainable Corporate Social Investment programmes is a quality indicator within this business function.
- 5 Steps used to improve the quality of products that forms part of continuous improvement to processes and systems as a TQM element.
- 7 Includes measuring performance and taking corrective measures.
- 9 A quality indicator of this business function is the effective communication of the shared vision, mission, and values.

**ACROSS**

- 2 Using aggressive advertising campaigns to sustain the market share contributes to the success of this business function.
- 4 This TQM element is characterised by striving to provide quality products to exceed customers' expectations
- 6 The ability of a product to satisfy the specific needs of consumers.
- 8 Selecting reliable suppliers indicates an effective level of quality in this business function.
- 10 A group of employees with a variety of skills that come together to solve problems related to quality.

(10 × 2) (20)

**Consolidation****QUESTION 3**

- 3.1** 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 (3.1.1 to 3.1.5) in your notebook for example, 3.1.5 D.
- 3.1.1** Ackerman Management implements the improvement to meet the needs of the business by applying this step in the PDCA model:
- A** Plan
  - B** Do
  - C** Check
  - D** Act as needed
- (2)
- 3.1.2** Quality circles are used by Ingulule Travels to...
- A** sustain complacency within the business.
  - B** manage investment opportunities.
  - C** investigate problems and suggest management solutions.
  - D** reduce effective service provisioning.
- (2)
- 3.1.3** Fast and reliable data capturing and processing systems would be considered a quality indicator of the... function at Reeson Clothing.
- A** production
  - B** administration
  - C** purchasing
  - D** human resources
- (2)
- 3.1.4** A disadvantage of total customer satisfaction for Postpro as a large business is that...
- A** a delay in market information reduces reaction time to adapt to changing consumer demand.
  - B** it continuously promotes a positive business image.
  - C** large amounts of money are spent on organisational resources.
  - D** it has gained access to global markets.
- (2)
- 3.1.5** Hamza Dental Clinic applies...when it directs organisational activities to meet regulatory requirements and to improve accuracy continuously.
- A** quality control
  - B** quality assurance
  - C** quality management
  - D** quality management systems
- (2)
- (5 × 2) (10)**

**QUESTION 4**

- 4.1** Identify the total quality management (TQM) element applied by Salizwa Furnishers (SF) in EACH case below.
- 4.1.1** SF conducts quality checks to minimise the replacement of items.
- 4.1.2** SF strives to understand and fulfil consumer expectations by aligning cross-functional teams across critical processes.
- 4.1.3** Systems are in place at SF because of the affordability thereof, which allows defects in raw materials to be detected.
- 4.1.4** SF regularly hires qualified trainers to train employees.
- 4.1.5** Readily available resources at SF ensure that management can check on quality performance in each unit.
- (5 × 2) (10)

- 4.2** Read the scenario below and answer the questions that follow.

**GROENWOUD FORESTRY (GF)**

Strategies are monitored at Groenwoud Forestry to improve the smooth running of business operations. Suggestions for improving systems and processes in the workplace are provided to management. GF did not predict that there would be a decline in sales because of some unhappy customers.

**Consolidation**

- 4.2.1** Quote TWO ways in which the role of quality circles as part of continuous improvement to processes and systems is evident at GF. (2)
- 4.2.2** Describe other roles of quality circles as part of continuous improvement to processes and systems. (6)
- 4.3** Elaborate on the meaning of total quality management (TQM) (4)
- 4.4** Read the scenario below and answer the questions that follow.

**PHUNGULA SOFTWARE (PS)**

Unrealistic deadlines have been set by Phungula Software that may not be achieved by employees. Investors have withdrawn because of a decline in profitability. PS is evaluating all processes to identify how this can be corrected.

- 4.4.1** Quote TWO ways in which the poor implementation of TQM has impacted on the operations of PS. (2)
- 4.4.2** Discuss the impact of TQM if poorly implemented by PS other than your answer provided in QUESTION 4.4.1. (6)
- 4.5** Differentiate between *quality control* and *quality assurance*. (4)
- 4.6** Read the scenario below and answer the questions that follow.

**HERMANUS SEAFOOD EMPORIUM (HSE)**

Hermanus Seafood Emporium differentiates their products from competitors. Different pricing techniques such as promotional pricing are used by HSE to ensure a competitive advantage. Quality control systems are in place to ensure that quality products are consistently being produced.

- 4.6.1** Quote TWO quality indicators of the marketing function displayed at HSE. (2)
- 4.6.2** Suggest TWO other quality indicators of the marketing function that could be displayed at HSE as a business. (4)

[40]

**QUESTION 5: BUSINESS OPERATIONS (TOTAL QUALITY MANAGEMENT)**

A good quality management system is beneficial for businesses. Quality in the business can be achieved by applying quality management and quality performance. Various total quality management (TQM) elements impact on large businesses. Businesses should be knowledgeable on ways in which TQM can reduce the cost of quality.

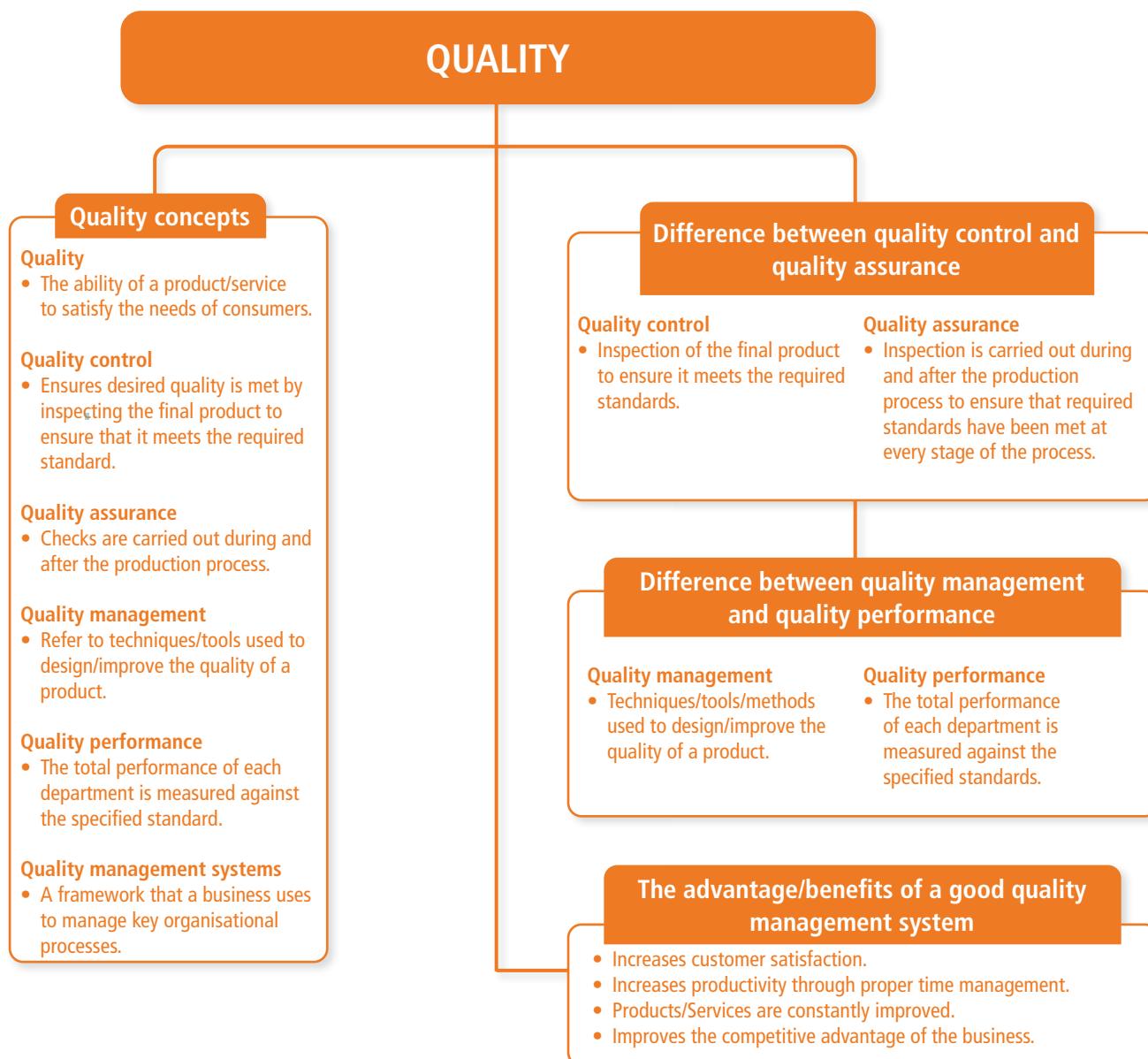
Write an essay on total quality management (TQM) in which you include the following aspects:

- Outline the benefits of a good quality management system.
- Differentiate between *quality management* and *quality performance*.
- Explain the impact of the following TQM elements on large businesses:
  - » Continuous improvement to processes and systems
  - » Monitoring and evaluation of quality processes
- Advise businesses on ways in which TQM can reduce the cost of quality.

[40]

## Mind map: Topic 7 – Quality of performance

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



# QUALITY

## Quality of performance/Quality indicators of each business function

### **GENERAL MANAGEMENT FUNCTION**

- Develop effective strategic plans.
- Efficient allocation of organisational resources.
- Effectively communicate vision/mission.
- Establish priorities for the business.

D  
E  
E  
E

### **FINANCIAL FUNCTION**

- Analyse strategies to increase profitability.
- Draw up budgets correctly.
- Update financial records regularly.
- Obtain capital from reliable sources.

A  
D  
U  
O

### **PRODUCTION FUNCTION**

- Monitor processes/determine causes of production problems.
- Implement quality control systems.
- Communicate roles/responsibilities to production workers.
- Ensure high-quality products/services.

M  
I  
C  
E

### **PUBLIC RELATIONS FUNCTION**

- High standard of internal publicity.
- Implement sustainable CSR programmes.
- Provide regular press releases.
- Address negative publicity quickly.

H  
I  
P  
A

### **PURCHASING FUNCTION**

- Buying raw materials in bulk.
- Establishing relationships with suppliers.
- Selecting reliable suppliers.
- Placing orders timeously.

B  
E  
S  
P

### **ADMINISTRATION FUNCTION**

- Fast and reliable data capturing.
- Accurate record-keeping of financial documents.
- Reliable information made available timeously.
- Use modern technology effectively.

F  
A  
R  
U

### **MARKETING FUNCTION**

- Acquire greater market share.
- Gain customer loyalty.
- Adhere to ethical advertising practices.
- Differentiate products from competitors.

A  
G  
A  
D

### **HUMAN RESOURCES FUNCTION**

- Fair remuneration packages.
- Ensures application of an effective recruitment policy.
- Ensures equitable selection process.
- Low staff turnover

F  
E  
E  
L

#### TIP

The mnemonics above are provided to enhance/improve retention/understanding of this section.



## TOTAL QUALITY MANAGEMENT (TQM)

### The meaning of TQM

- TQM is an integrated system applied throughout the organisation, which helps to produce quality products/services.

### TQM elements

#### Continuous skills development/Education and training

- Effective training programmes must be conducted to train employees to apply TQM concepts/techniques.

#### Continuous improvement to processes and systems

- The flow of activities implemented to create or deliver products/services to customers.

#### Adequate financing and capacity

- Ensure that there is adequate financing and capacity available for all operations/projects.

#### Monitoring and evaluation of quality processes

- Monitor and evaluate quality processes to determine strengths and reduce weaknesses in achieving TQM.

#### Total client/customer satisfaction

- Strive to provide quality products/services to meet/exceed customer needs.

### The impact of the TQM elements on large businesses

#### Continuous skills development/Education and training

##### Positives/Advantages

- Dedicated human resources department to improve skills training.
- Conduct skills audit to establish competency.

##### Negatives/Disadvantages

- Poor communication systems may prevent effective training.
- Difficult to monitor/evaluate the effectiveness of training.

#### Continuous improvement to processes and systems

##### Positives/Advantages

- Readily available resources to check on quality performance.
- Enough capital resources are available for new equipment.

##### Negatives/Disadvantages

- Quality control can become complicated.
- Systems and processes take time/effort to implement.

#### Adequate financing and capacity

##### Positives/Advantages

- Sufficient financing to test all processes.
- Able to afford product research.

##### Negatives/Disadvantages

- Lacks the capital required to fund the production of the stock.
- Capital is wasted when incorrect financial planning exists.

#### Monitoring and evaluation of quality processes

##### Positives/Advantages

- Prevent product defects.
- Improve performance/increase productivity.

##### Negatives/Disadvantages

- Departments work in silos.
- Takes longer to detect problems.

#### Total client/customer satisfaction

##### Positives/Advantages

- Use market research to measure customer satisfaction.
- May lead to higher customer retention.

##### Negatives/Disadvantages

- Monopolies have an increased bargaining power.
- Lack of commitment from employees.

### Application of PDCA model/steps to improve quality of products

#### PLAN

- Identify the problem and develop a plan for improvement.
- Answer questions such as 'What do do'/'How to do it'.

#### DO

- Implement the change on a small scale.
- Implement the processes and systems as planned.

#### CHECK/ANALYSE

- Use data to analyse the results of change.
- Determine whether it made a difference.

#### ACT AS NEEDED

- Implement improvement to meet the needs of the business.
- If the change was successful, implement it on a wider scale.

### The role/importance of quality circles as part of the continuous improvement to processes and systems

- Solve problems related to quality.
- Investigate/identify problems and suggest a solution.
- Improve the quality of products/services.
- Reduce costs of redundancy.

### The impact of TQM if poorly implemented by businesses

- Setting unrealistic deadlines.
- Employees may not be adequately trained.
- Decline in productivity.
- Investors might withdraw investment.

### Ways in which TQM can reduce the cost of quality

- Schedule activities to eliminate duplication.
- Share responsibility for quality output.
- Train employees at all levels.
- Develop work systems that empower employees.

## TERM 2

## 8

# Management and leadership



## TOPIC OVERVIEW

- [Unit 8.1](#) Distinguishing between management and leadership
- [Unit 8.2](#) Applications and impact of the five leadership styles in the workplace
- [Unit 8.3](#) Understanding the three leadership theories



## Learning objectives

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

- ❖ define/elaborate on the meaning of management and leadership
- ❖ differentiate/distinguish between management and leadership
- ❖ outline the differences/differentiate/distinguish between the following leadership styles:
  - democratic
  - autocratic
  - laissez-faire/free reign
  - charismatic
  - transactional
- ❖ identify the leadership styles from given scenarios/case studies and motivate answers
- ❖ suggest/recommend situations in which each leadership style can be applied in the workplace
- ❖ discuss/evaluate/analyse the impact of each leadership style
- ❖ explain/discuss the following theories of management and leadership:
  - leaders and followers
  - situational leadership
  - transformational/transitional leadership
- ❖ identify the above-mentioned leadership theories from given scenarios/statements
- ❖ explain/discuss the role of personal attitude in successful leadership
- ❖ identify the role of personal attitude in successful leadership from given scenarios/case studies.



### Key concepts

- **Leadership styles:** refers to the different methodologies that leaders employ to provide direction and guidance to employees.
- **Democratic leadership style:** employees are invited to be part of the decision-making process.
- **Autocratic leadership style:** employees are not involved in the decision-making process.
- **Laissez-faire/free-reign leadership style:** the leader allows employees that are experienced, reliable, and trustworthy to make decisions in pursuit of the organisation's goals.
- **Charismatic leadership style:** the leader uses charisma and charm to influence employees.
- **Transactional leadership style:** uses rewards and punishments as incentives to influence the behaviour of employees.
- **Leadership theories:** guide leaders on the different leadership styles that could be adopted.
- **Situational leadership theory:** in this leadership theory, the leader applies different leadership styles depending on different situations.
- **Transformational/transitional leadership theory:** best used during a period of drastic change in an organisation.
- **Personal attitude:** an individual's emotional, psychological, and physical responses to events that influence their achievements.
- **Leaders and followers theory:** followers follow the instructions of the leader in this leadership theory.

## Introduction

In Grade 10 you were introduced to the concepts 'management' and 'leadership'. The differences between these two concepts were elaborated on and explained. Both leaders and managers work with employees within an organisation. The major difference between a manager and a leader relates to how they deal with their employees and how they make their decisions – while a leader thinks with his/her heart, a manager thinks with his/her head. The kind of decisions made by these two executives in the organisation influences their interaction with employees.

## Unit 8.1 Distinguishing between management and leadership

Management refers to the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Leadership refers to the process by which a leader guides, inspires, and influences the behaviour and work of employees in pursuit of the organisation's goals.

Both managers and leaders perform important functions within an organisation and are therefore critical in achieving an organisation's goals. Clear differences exist between what it means to be a leader and what it means to be a manager.

- Leaders have a broad outlook of an organisation. They focus on the vision and mission of the business. They consider employees as people first, before relating to them as employees.
- Managers, however, have a narrower view of the organisation. They focus on the organisation's immediate goals.

### TIP

The action verb determines the total marks awarded for a question and gives you an indication of the type of responses required.



### Take note

The terms management and leadership are often used interchangeably, as if they have the same meaning. This is, however, not the case. You must know the difference between the two concepts to broaden your understanding of this topic.

#### TIP

You could be asked to differentiate/distinguish between management and leadership. This question is best answered by drawing a table and **contrasting** the differences.

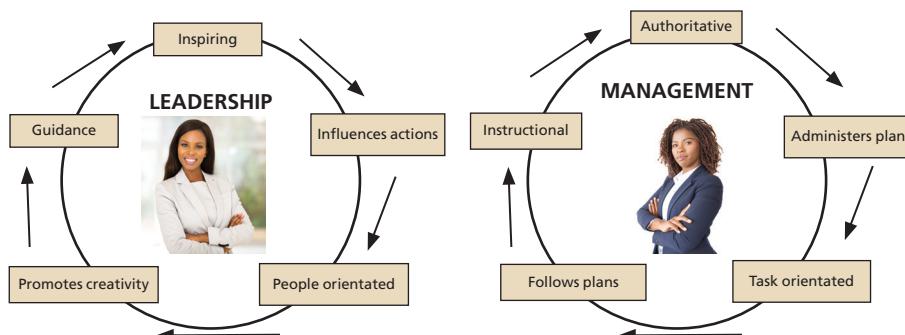
### New words

**contrast** the state of being strikingly different from one another

The table below sets out the differences between leadership and management.

LEADERSHIP	MANAGEMENT
• Leads by inspiring and motivating employees.	• Manages processes by using their authority.
• Provides guidance and direction to employees.	• Instructional in their approach when dealing with employees.
• Promotes creativity to improve productivity levels.	• Follows the plans to reach targets.
• Focuses on the vision and mission of the organisation.	• Focuses on organisation targets.
• Focuses on the potential of employees.	• Focuses on the processes involved in the production process.
• Influences the actions of employees.	• Controls the actions of employees.
• Can be creative/innovative when dealing with challenges.	• Administers plans as set out by top management
• People-orientated, thus putting employees first.	• Task orientated, ensuring the job gets done.
• Leadership refers to the process by which a leader guides, inspires, and influences the behaviour and work of employees in pursuit of the organisation's goals.	• Management refers to the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively.

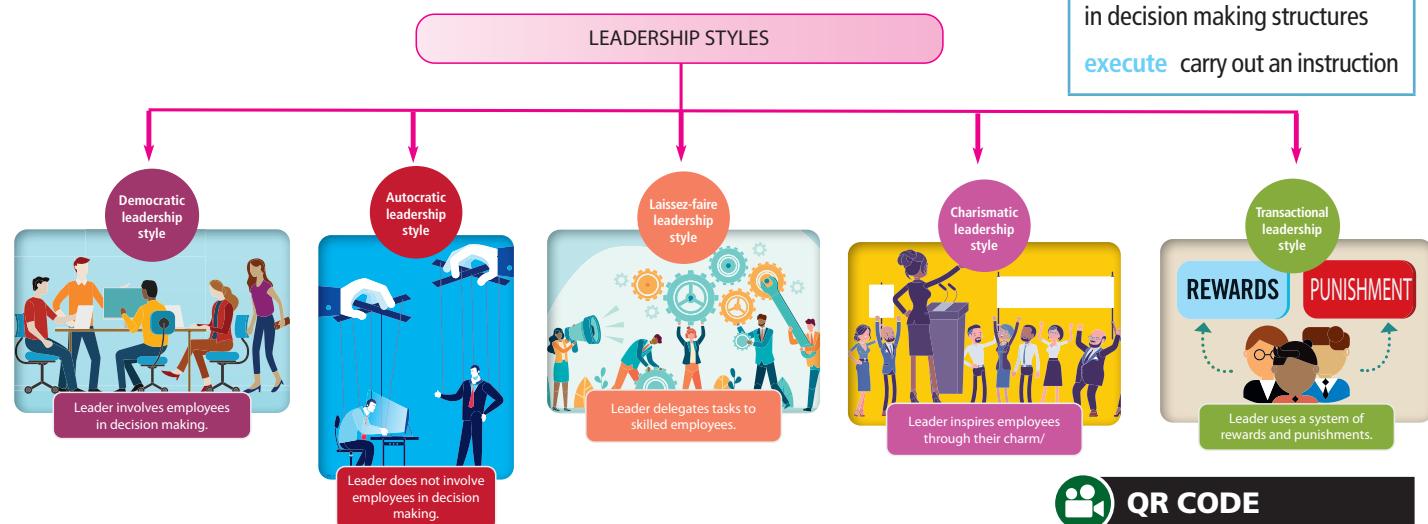
Use the keywords in the diagrams below to learn the difference between leadership and management. Know the differences well.



### Different leadership styles

Different leadership styles are available for leaders to use in order to inspire and motivate employees. A leader's preferred leadership style is determined to a large extent by his/her personal beliefs, attitudes, and past experiences. The leadership style adopted by certain leaders is influenced by the situations in which the leader finds himself/herself.

The different leadership styles are shown in the illustration below.



Let's look at each one in more detail.

### Democratic leadership style

A democratic leader involves employees in the decision-making process. The leader realises that there is power within the collective input of individuals. This inclusive approach by the leader ensures the support of employees in decisions made by the leader. This leadership style is also called the participatory leadership style.

### Autocratic leadership style

An autocratic leader does not involve employees in the decision-making process. Employees are told what to do and must **execute** the decisions of the leader without questioning his/her decisions.

### Laissez-faire/Free Reign

A laissez-faire/free reign leader **delegates** decision-making to employees that he/she trusts. The leader separates him/herself from the decision-making process and allows employees to make decisions in the best interest of the organisation.

### Charismatic leadership style

A charismatic leader uses his/her personality and charm to influence the behaviour and actions of employees. Employees are inspired by the energy and keenness of the charismatic leader.

### Transactional leadership style

A transactional leader uses rewards and punishments to drive employees towards business goals and targets. The transaction leaders focus on the results/performance of employees to measure their effectiveness in terms of the goals of the organisation.

### A New words

**delegates** represent the leader in decision making structures

**execute** carry out an instruction

### QR CODE

Follow this link and complete the Google Form Quiz on management and leadership.



<https://forms.gle/oebZs9zcJsDbULAQ6>

### QR CODE

Types of leadership styles:  
Autocratic, democratic,  
laissez-faire



[https://www.youtube.com/watch?v=xApMpceuVNMa-ab\\_channel=MicrosoftMitch](https://www.youtube.com/watch?v=xApMpceuVNMa-ab_channel=MicrosoftMitch)

**TIP**

You should be able to identify the leadership styles from given scenarios/case studies and motivate answers.



## Differences between the democratic leadership style and autocratic leadership style

<b>Democratic leadership style</b>	<b>Autocratic leadership style</b>
• Invites employees to be part of the decision-making process.	• All decisions are taken by the leader alone – without employee involvement.
• Open communication between the leader and employees.	• Employees are told what to do and how it must be done.
• People-oriented, taking into consideration the opinions of employees.	• Task-orientated, with the focus on the result and not the employees.
• Empowers workers by involving them in the decision-making process.	• Positive effect on novice/new workers who value the micro-management style.
• Experienced employees provide the leader with valuable advice and support.	• Most appropriate leadership style in the event of a crisis/emergency.
• Employees are involved in finding solutions to disagreements that may arise.	• Disagreements are resolved by the leaders telling the parties how to resolve it.

**QR CODE**

For enrichment purposes, scan the QR Code below to find out what kind of leader you are.



<https://www.idealists.org/en/careers/quiz-leadership-style>

**Activity 8.1****Classwork/Homework****QUESTION 1**

**1.1** Choose a description in COLUMN B, that matches the leadership style in COLUMN A. Write only the letter (A – J) next to the question numbers (1.1.1 – 1.1.5) in your notebook, for example, 1.1.1 F.

	<b>COLUMN A</b>		<b>COLUMN B</b>
<b>1.1.1</b>	Democratic	<b>A</b>	responsibilities are delegated to employees with little/no instructions
<b>1.1.2</b>	Autocratic	<b>B</b>	uses their personality and charm to influence the behaviour and actions of employees
<b>1.1.3</b>	Laissez-faire/Free reign	<b>C</b>	relies on their own knowledge/skills/past experiences to empower himself/herself
<b>1.1.4</b>	Charismatic	<b>D</b>	rewards the leaders who achieve their targets
<b>1.1.5</b>	Transactional	<b>E</b>	all decisions are taken by the leader without employee involvement
		<b>F</b>	invites employees to provide input when decisions are made
		<b>G</b>	employees who achieve their targets are rewarded
		<b>H</b>	uses his/her personality and charm to advance his career
		<b>I</b>	responsibilities are delegated to employees with detailed instructions
		<b>J</b>	employees are discouraged from making inputs when decisions are made

(5 × 2) (10)

**TIP**

When answering this type of question, remember to:

- read through the leadership styles in Column A
- read through the TEN statements in Column B
- underline the key words in the statements in Column B
- note that each statement in Column B has a corresponding related distractor
- find the TWO related statements
- from the list in Column A, choose the correct answer from the two related statements.

## Unit 8.2 Applications and impact of the five leadership styles in the workplace

Leadership styles adopted by leaders to a large extent determine the relationship between the leader and employees. As events unfold within an organisation, situations may arise in which different leadership styles can be applied.

Below are examples of situations in which the different leadership styles could be applied in the workplace.

Leadership style	Application/Situations during which the leadership style could be applied in the workplace
<b>Democratic leadership style</b>	<ul style="list-style-type: none"> <li>• The leader knows his/her limitations and is open to new ideas/innovative thinking.</li> <li>• The leader requires a different perspective on an issue and experienced employees could provide valuable information.</li> <li>• Employees are experienced/experts in their chosen fields of occupation.</li> <li>• Teamwork is promoted and the inputs of employees are valued/appreciated.</li> </ul>
<b>Autocratic leadership style</b>	<ul style="list-style-type: none"> <li>• When a crisis arises within an organisation and requires immediate action on the part of the leader.</li> <li>• In the event of an emergency that requires the leader to act immediately to avoid loss of life/ serious injury to workers. For example, to evacuate the building in the event of a fire in an office.</li> <li>• The leader has all the information at his/her disposal and does not require further input from employees.</li> <li>• The leader needs to exert his/her authority on employees who regularly disregard the organisation's policies/procedures.</li> <li>• The leader has earned the trust of the employees and they are willing to accept his/her judgement.</li> <li>• The business appointed inexperienced/new employees that could benefit from this type of leadership style.</li> </ul>

 **QR CODE**

Application of the democratic leadership style.



[https://www.youtube.com/watch?v=hVvX831Ozjsand-ab\\_channel=Organizational-Behaviour](https://www.youtube.com/watch?v=hVvX831Ozjsand-ab_channel=Organizational-Behaviour)

**QR CODE**

Application of the laissez-faire leadership style.



[https://www.youtube.com/watch?v=8Fde5sFuypsandab\\_channel=BinuGadtaula](https://www.youtube.com/watch?v=8Fde5sFuypsandab_channel=BinuGadtaula)

Leadership style	Application/Situations during which the leadership style could be applied in the workplace
Laissez-faire/Free reign leadership style	<ul style="list-style-type: none"> <li>The leader is occupied with more important aspects of the business and delegation of duties may improve the efficiency of the organisation.</li> <li>Employees who are experienced in their chosen field, are often trusted/relied on by the leader to make responsible decisions.</li> <li>Leadership potential exists amongst employees and that they need opportunities to acquire additional skills.</li> <li>Employees have acquired a greater level of knowledge/skills on a particular subject matter than what the leader has acquired.</li> </ul>
Charismatic leadership style	<ul style="list-style-type: none"> <li>The organisation wants to implement changes and uses the leader to get the support of employees.</li> <li>The leader wants to boost the morale of employees, who may be demotivated.</li> <li>The leader wants employees to continue on the path of high productivity/efficiency levels.</li> <li>Confidence levels of employees are low, and employees need to be inspired.</li> </ul>
Transactional leadership style	<ul style="list-style-type: none"> <li>The leader wants employees to exceed target levels.</li> <li>The business wants to maximise employee performance</li> <li>Deadlines have to be met on short notice/under pressure</li> <li>Employees have a low morale.</li> <li>The strategies/business structures are clear and do not have to change.</li> </ul>

**TIP**

When you are required to answer questions on the impact you could provide the advantages and/or disadvantages.



## The impact of the five leadership styles

Leaders are constantly seeking new ways of inspiring/motivating employees to achieve the organisation's goals. The preferred leadership style has an impact on the business. The impact could be positive (advantages)/negative (disadvantages).

Let's look at the positives/negatives of the different leadership styles, and how it impacts a business.

### The impact of the democratic leadership style

#### Positives/Advantages

- The leaders do not have to rely on their knowledge/skills to solve complex problems.
- Leaders may invite employees to participate in the decision-making process and benefit from their experiences/expertise.
- Employees contribute a variety/innovative ideas that may benefit the organisation and lead to improved production techniques.

- Employees feel empowered/motivated, resulting in increased productivity levels.
- Regular communication between leaders and employees lead to improved decision-making.

**AND/OR**

### **Negatives/Disadvantages**

- Input from inexperienced employees could lead to decisions that are not in the best interest of the organisation.
- The leader may not be in the position to take decisions immediately, because key employees are unable to attend the meeting.
- Could be demoralising to employees if a leader does not consider their inputs before making a decision.
- The leader could delay making decisions because he/she is waiting for inputs from employees.
- It's not an ideal leadership style if the leader needs to make a decision when there is an emergency in the organisation.
- The reliability of feedback provided by some employees may not be accurate.

## **Impact of the autocratic leadership style**

### **Positives/Advantages**

- The leader is in a position to make quick decisions, without consulting employees.
- The leader has certainty that decisions will be made timely, without delays/ work gets done on schedule.
- There is no uncertainty regarding the source of instructions, which comes directly from the leader.
- Strict monitoring/control of production processes by the leader ensures quality products and services.
- Clear/Consistent direction from the leader, provides certainty to new employees.
- The large workforce in certain businesses make it impractical to meet/consult with employees.
- Concise/Clear guidance could be given to newly appointed/inexperienced staff.

**AND/OR**

### **Negatives/Disadvantages**

- Tension could arise between the leaders and employees if there are disagreements on strategies.
- Employees could become frustrated/irritated if their inputs are not considered.
- Productivity levels of the organisation could decrease significantly because employees are demotivated.
- The organisation could lose out on new/innovative ideas/solutions from employees.
- The business could experience high rates of absenteeism because employees do not feel valued.
- The leaders may experience resistance from experienced/highly skilled employees.

## The impact of the laissez-faire/free reign leadership style

### Positives/Advantages

- Employees are trusted and given the responsibility of making decisions in areas of their expertise.
- Employees don't need to consult the leader when making decisions that may benefit the organisation.
- Motivation levels of employees increases because the leader recognises their abilities/skills to make decisions.
- Productivity levels of the organisation could increase significantly because employees feel valued/appreciated.
- Employees experience personal growth/development as they are allowed to make decisions on their own.
- The leadership skills of individual employees may develop as they interact with other employees when making decisions.

**AND/OR**

### Negatives/Disadvantages

- The uncertainty regarding clear decision-making could influence the morale of employees negatively.
- Employees could be hesitant to take decisive actions, which could affect their work performance.
- Conflict could arise between employees and fellow team members if the actions of employees with strong personalities are questioned.
- The leader does not become involved in disagreements amongst employees.
- Employees may find it difficult to get fellow members to meet deadlines, which may impact negatively on deadlines being met.
- Productivity levels may decrease if the employees lack the skills/knowledge necessary to make the right decisions.

## The impact of the charismatic leadership style

### Positives/Advantages

- A leader communicates the vision/goals of the organisation in a concise/clear manner, that inspires confidence amongst employees.
- Employees are inspired by the energy/passion of the charismatic leader.
- Employees are motivated to exceed their expectations and overcome their fears.
- Employees are made to feel valued/appreciated, which encourages them to work harder and improve productivity levels.

**AND/OR**

### Negatives/Disadvantages

- A leader may promote his own personal interest, instead of leading for the benefit of the organisation.
- Employees rely on the leader to improve their morale/motivation levels.
- The organisation may be over-reliant on the presence of the leader, which could harm the organisation if the leader should leave the organisation.
- Employees could also be reluctant to challenge the leader on important issues, which may impact the organisation negatively in achieving their goals.

## The impact of the transactional leadership style

### Positives/Advantages

- Linking rewards to targets encourages workers to work effectively/efficiently.
- Incentives offered to employees who exceed targets increase the productivity levels of workers.
- Other employees are encouraged to work harder if they see fellow employees getting incentives for meeting/exceeding targets.
- Achieving the organisational goals becomes easier because workers feel valued/appreciated.
- Employees are given targets and they know the targets they need to work towards.
- Employees are aware of the punishment, should targets not be met.

**AND/OR**

### Negatives/Disadvantages

- Employees may feel demoralised if they're punished for not meeting targets.
- The leader may need to monitor the performance of employees to ensure that targets are met.
- Measuring the performance of workers constantly may distract the leader from performing other essential tasks.
- The health of employees could be negatively affected by increased stress levels in pursuit of targets by employees.
- It's not a suitable leadership style for team work, because the failure of one member to achieve his/her targets may affect the incentives of all members.

### TIP

You should be able to identify these leadership styles from given scenarios and/or case studies/statements.

### Activity 8.2

### Classwork/Homework

#### QUESTION 1

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

#### FOOD TRADERS (FT)

Jaco is the owner of Food Traders. He regularly requests experienced employees to contribute ideas on how to increase their sales. Nomsa, the top salesperson recently received a bonus cheque for exceeding the monthly sales target.

- 1.1.1 Identify the leadership style used by Jaco. Motivate your answer by quoting from the scenario above. (3)
  - 1.1.2 Discuss the impact of the leadership style identified in QUESTION 1.1.1. (8)
  - 1.1.3 Suggest situations in which the transactional leadership style could be applied in the workplace. (6)
- [17]



#### QR CODE

Follow this link and complete the Google Form Quiz on leadership styles and their impact.



<https://forms.gle/Whc8ikuv6ee4N5iw9>

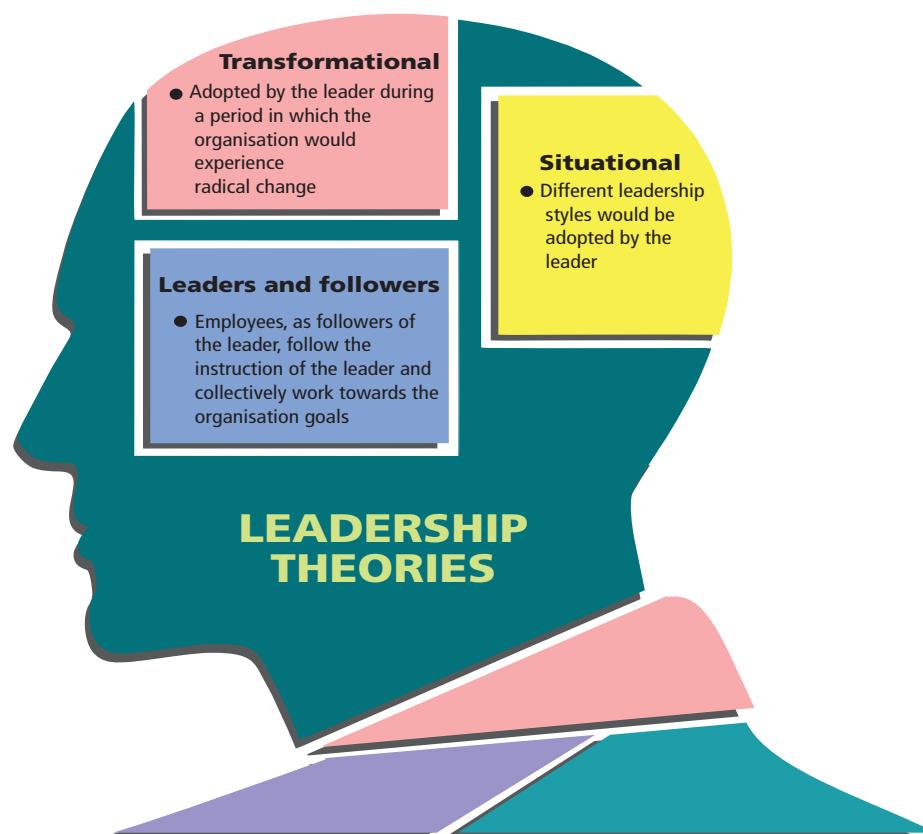
## Unit 8.3 Understanding the three leadership theories

Leadership theories differ from leadership styles in the following ways:

- leadership theories focus on the characteristics of the leader that makes them exceptional.
- leadership styles focus on how leaders manage employees.

Leadership theories guide leaders on the different leadership styles that could be adopted.

The illustration below shows the different leadership theories that may be applied in the workplace.



### QR CODE

Situational leadership theory



[https://www.youtube.com/watch?v=wJ05IADnlxw&ab\\_channel=OnlinePMCourses-MikeClayton](https://www.youtube.com/watch?v=wJ05IADnlxw&ab_channel=OnlinePMCourses-MikeClayton)

### Situational leadership theory

- Leaders are required to manage employees under different conditions and different character traits are required to deal with each situation within the workplace.
- A different leadership style would be adopted by the leader, based on the prevailing circumstances at a particular time.
- Effective leaders may adopt the leadership style that will ensure that the goals of the organisation are achieved.
- The relationship between the leader and the employees are based on values of trust/integrity/respect.

- Leaders possess the skills/knowledge to analyse situations and allocate tasks/responsibilities to the most suitable employees.
- Conflict could arise if the leadership style is deemed inconsistent when dealing with employees in different situations.
- The effectiveness of this leadership theory is dependent on the relationship that exists between the leader and employees.

## Transformational theory/Transitional leadership theory

- This leadership theory would be adopted by the leader during a period in which the organisation is experiencing radical changes.
- The leader may use his communication skills/passion/interaction with employees to convince employees to accept the changes that are planned in the organisation.
- Employees in turn respect/admire the leader and trust the leaders' judgement regarding the planned changes within the organisation.
- Strategic thinking leaders use this leadership theory to convince employees to accept the long-term vision of the organisation.
- Leaders have strong and charismatic personalities, that they use to increase the motivation/productivity levels of workers.
- Employees are supported throughout this period of radical change and given opportunities to share their thoughts/ideas without any constraints.
- Leaders lead by example and workers respond by focusing on their outputs.
- Workers take greater ownership of their responsibilities and are aware of their limitations and strengths.

## Leaders and Followers

- The relationship between the leader and employees has a major impact on the goals that the organisation has set out to achieve.
- Employees, as followers of the leader, follow the instructions of the leader and collectively work towards the organisation's goals.
- Leaders allow followers to be creative/innovative and encourage them to explore alternative methods to increase productivity.
- Leaders lead by example and provide incentives for positive behaviours.
- Followers take responsibility for goals/targets not achieved.
- Innovation/Creativity of some followers are **stifled** as they simply follow the leader and other followers.

### TIP

You must be able to identify the above-mentioned **leadership theories** from given scenarios/case studies/statements.

### QR CODE

Transformational leadership theory



[https://www.youtube.com/watch?v=\\_788Rkb0EQA&ab\\_channel=MindToolsVideos](https://www.youtube.com/watch?v=_788Rkb0EQA&ab_channel=MindToolsVideos)

### Take note

The terms transformational and transitional are used interchangeably, as both refer to periods of change within an organisation /society.

### QR CODE

Leaders and Followers



[https://www.youtube.com/watch?v=rOsETHomZZU&ab\\_channel=VTUBE](https://www.youtube.com/watch?v=rOsETHomZZU&ab_channel=VTUBE)

### A New words

**stifled** stopped from doing something considered meaningful

**TIP**

You must be able to identify the role of personal attitude in successful leadership from given scenarios and/case studies



## The role of personal attitude in successful leadership

Successful leadership is essential in any organisation. The success of the organisation depends – to a large extent – on the leadership provided. The personal attitude of the leader plays a critical role in successful leadership.



- Positive attitude releases leadership potential.
- A leader's good/bad attitude can influence the success/failure of the business.
- Leaders must know their strengths and weaknesses to apply their leadership styles effectively.
- Great leaders understand that the right attitude will set the right atmosphere.
- Leaders' attitude may influence employees'/teams' thoughts/behaviour.
- Leaders should model the behaviour that they want to see in team members.
- Successful leaders consider the abilities/skills of team members to allocate tasks/roles effectively.
- Enthusiasm produces confidence in a leader.
- A positive attitude is critical for good leadership because good leaders will stay with the task regardless of difficulties/challenges.

**TIP**

Focus is on the positive attitude of the leader and do not confuse it with the qualities of an entrepreneur.



**Activity 8.3****Classwork/Homework****QUESTION 1: BUSINESS VENTURES (MANAGEMENT AND LEADERSHIP)**

Management and leadership both perform critical functions within an organisation. Leadership theories allow leaders to adopt different leadership styles. The choice of leadership style may have a positive or negative impact on the business. Different leadership styles could be applied in the workplace to deal with different challenges.

Write an essay on management and leadership in which you include the following aspects:

- Outline the differences between *management* and *leadership*.
- Explain the situational and transformational leadership theories.
- Discuss the impact of the autocratic and transactional leadership styles.
- Suggest situations in which businesses could apply the following leadership styles in the workplace:
  - » Laissez faire leadership style
  - » Democratic leadership style

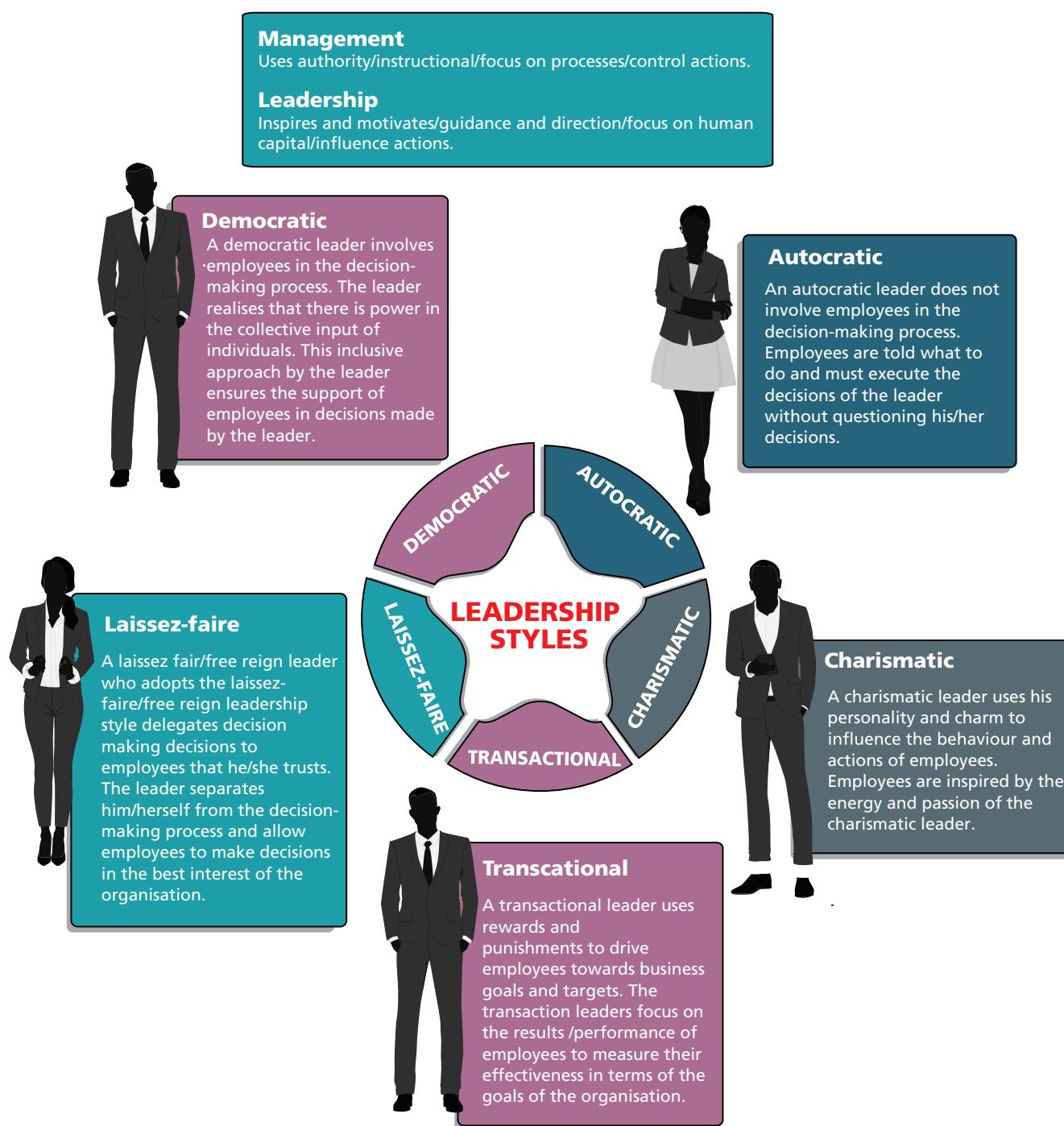
[40]

**TIPS – Essay writing**

<b>Introduction</b>	<b>Body</b>
<ul style="list-style-type: none"> <li>• Start with the word 'Introduction' as a heading.</li> <li>• Your opening statements must be linked to the bulleted questions.</li> <li>• One general statement of two of the subheadings/or two general statements of one subheading.</li> <li>• Give TWO meaningful facts to get maximum marks: <math>(2 \times 1) = (2)</math></li> <li>• Don't repeat/use the words that are within the preamble.</li> </ul>	<ul style="list-style-type: none"> <li>• Don't write the word 'Body' as a heading.</li> <li>• Use information in the questions below the scenario as headings within the body.</li> <li>• Break up the information into logical parts, making use of heading and subheadings.</li> <li>• The maximum marks obtained for the body = 32 marks.</li> <li>• Don't repeat facts, get to the point.</li> <li>• Write your responses in full sentences that are bulleted.</li> <li>• Put your statements in context.</li> </ul>
<b>Conclusion</b>	<b>LASO</b>
<ul style="list-style-type: none"> <li>• Write the word 'Conclusion' as a heading.</li> <li>• End your essay with ONE meaningful fact – not repeating what was said within the introduction /body: <math>(1 \times 2) = (2)</math></li> </ul>	<ul style="list-style-type: none"> <li>• Write the words Introduction and Conclusion to obtain full marks for layout.</li> <li>• Write sub-headings that appear within the question paper to get ONE mark for analysis.</li> <li>• Make sure that you write as many correct facts as you can that amount to at least 16 marks/more within the body to get another ONE mark for analysis.</li> <li>• Ensure that you only provide relevant content as answers in order for you to get two marks for synthesis.</li> <li>• Provide at least TWO current examples linked to the business world in reality to support the facts in your body to get two marks for originality.</li> </ul>

## Mind map: Topic 8 – Management and leadership

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



IMPACT OF LEADERSHIP STYLES		
	ADVANTAGES	DISADVANTAGES
<b>DEMOCRATIC</b> 	<ul style="list-style-type: none"> <li>Leaders do not have to rely on their own knowledge/skills.</li> <li>Employees to participate in the decision-making process.</li> </ul>	<ul style="list-style-type: none"> <li>Leader may not be in the position to take decisions immediately.</li> <li>Leader could delay making decisions.</li> </ul>
<b>AUTOCRATIC</b> 	<ul style="list-style-type: none"> <li>The leader is in a position to take quick decisions.</li> <li>Clear and consistent direction from the leader.</li> </ul>	<ul style="list-style-type: none"> <li>Tension could arise.</li> <li>The organisation could lose highly skilled and experienced employees.</li> </ul>
<b>LAISSEZ-FAIRE</b> 	<ul style="list-style-type: none"> <li>Employees are trusted and given the responsibility of making decisions.</li> <li>Employees experience personal growth and development.</li> </ul>	<ul style="list-style-type: none"> <li>Employees could be hesitant to take decisive actions.</li> <li>Employees may find it difficult to get fellow members to meet deadlines.</li> </ul>
<b>CHARISMATIC</b> 	<ul style="list-style-type: none"> <li>Employees are inspired by the energy and passion.</li> <li>Employees are made to feel valued and appreciated.</li> </ul>	<ul style="list-style-type: none"> <li>Leader may advance his own personal interest.</li> <li>The organisation may be over-reliant on the presence of the leader.</li> </ul>
<b>TRANSACTIONAL</b> 	<ul style="list-style-type: none"> <li>Incentives lead to increased productivity levels of workers.</li> <li>Employees are aware of the punishment if targets are not met.</li> </ul>	<ul style="list-style-type: none"> <li>Employees may feel demoralised if they are punished.</li> <li>The health of employees could be negatively affected by increased stress levels.</li> </ul>

**Role of personal attitude**

Environment at work is filled with a positive attitude coming from him/her. Positive effect on the employees, leading to increased motivation levels. A negative attitude from the leader may have the converse effect on the employees. See in the leader, the kind of behaviour they are required to adopt and display at the workplace.

**Leadership Theories**

**Situational** – different leadership styles would be adopted by the leader.

**Transformational** – adopted by the leader during a period in which the organisation would experience radical change.

**Leaders and followers** – Employees, as followers of the leader, follow the instruction of the leader and collectively work towards the organisation goals.

### 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 – 1.1.5) in your notebook, for example, 1.1.6 D.
- 1.1.1 Leadership in an organisation is characterised by ...
- A focussing on the processes involved in the production function of competitors.
  - B controlling systems and procedures to get the job done.
  - C being task orientated.
  - D doing the right things.
- 1.1.2 The CEO of Capihead Bank used the ... leadership style when she invited regional supervisors to provide input in CSI projects that the bank considers supporting.
- A transitional
  - B laissez-faire
  - C democratic
  - D transformational
- 1.1.3 A fire broke out at the offices of Dontex Refinery. A/An ... leadership style should be applied.
- A autocratic
  - B situational
  - C transformational
  - D transactional
- 1.1.4 The CEO of Monda Motors applied the...leadership theory when he used different leadership styles to execute the task at hand.
- A transformational
  - B situational
  - C autocratic
  - D charismatic
- 1.1.5 This leadership theory is often used when the organisation is experiencing radical changes:
- A transactional
  - B leaders and followers
  - C transformational
  - D charismatic

#### 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 the remaining options again.
- Choose the correct answer from the remaining options.
- Don't leave any answers blank.

(5 × 2) (10)

#### QUESTION 2

2.1. List THREE leadership theories.

(3)

2.2. Differentiate between *management* and *leadership*.

(8)

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

#### CARLO BAKERY (CB)

Tido, the general manager at Carlo Bakery must meet many deadlines. Tido requested his skilled employees to use their own work methods without violating business policies.

#### TIP

When you are required to quote from a scenario, your answer must be directly quoted from the scenario. Do not paraphrase/use your own words when quoting.

### **Consolidation**

- 2.3.1** Identify the leadership style used by Tido. Motivate your answer by quoting from the scenario above. (3)  
**2.3.2** Discuss the impact of the leadership style identified in QUESTION 2.3.1. (8)
- 2.4.** Advise businesses on the situations in which the following leadership styles can be applied:
- 2.4.1** Charismatic leadership styles (4)  
**2.4.2** Autocratic leadership styles (4)
- [30]

### **QUESTION 3: BUSINESS VENTURES (MANAGEMENT AND LEADERSHIP)**

Leadership styles may differ from one leader to another and may also impact the performance of the business. Leadership theories guide leaders on the different styles they could adopt. Leaders should also focus on their attitude when engaging with employees.

Write an essay on management and leadership in which you include the following aspects:

- Outline the differences between the *democratic* and *autocratic* leadership styles.
- Explain the impact of the charismatic and transactional leadership styles on businesses.
- Discuss the transformational and leaders and followers leadership theories.
- Advise businesses on the role of personal attitude in successful leadership.

[40]

## TERM 2

## 9

## Investment: Securities



## TOPIC OVERVIEW

- **Unit 9.1** Functions of the Johannesburg Securities Exchange
- **Unit 9.2** Factors that should be considered when making an investment decision
- **Unit 9.3** Types of investment opportunities and risk factors
- **Unit 9.4** Forms of investments
- **Unit 9.5** Understanding simple and compound interest



## Learning objectives

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

- ❖ outline/explain/discuss the functions of the JSE
- ❖ outline/explain/describe/discuss the factors that should be considered when making an investment decision
- ❖ explain/discuss the various types of investment opportunities and their risk factors
- ❖ explain/discuss/analyse/evaluate (positives/advantages and/or negatives/disadvantages) of the following forms of investment:
  - government/RSA Retail Savings Bonds
  - unit trusts
  - shares
  - fixed deposits
- ❖ explain/discuss/describe the following types of shares:
  - ordinary shares
  - preference shares
  - bonus shares
  - founders shares
- ❖ identify the above-mentioned types of shares from given scenarios/statements
- ❖ name/outline/explain/discuss types of preference shares
- ❖ outline the rights of ordinary and preference shareholders
- ❖ identify types of preference shares from given scenarios/statements
- ❖ differentiate/distinguish between ordinary and preference shares
- ❖ define/explain the meaning of debentures, dividends, capital gains, simple interest and compound interest
- ❖ differentiate/distinguish between simple interest and compound interest
- ❖ calculate simple and compound interest from given scenarios
- ❖ recommend the best investment option based on calculations.



### Key concepts

- **Investment:** the process of saving money for profit.
- **Investors:** the person who saves money with the expectation to make a profit.
- **Risk:** uncertainty of losses rather than expected profit from an investment.
- **Interest:** the amount of money earned by an investor in return for their investment.
- **Dividends:** a sum of money paid by a company to its shareholders from its profits.
- **Johannesburg Securities Exchange (JSE):** the market that deals with the buying and selling of shares in listed companies.
- **Share:** part ownership in a company.
- **Capital market/securities market:** the financial market in which long-term debt securities are bought and sold.
- **Short term investment:** investing for less than one year.
- **Long term investment:** the duration/period of the investment is more than three years.
- **Fixed rate:** the interest rate remains the same for the duration of the investment period.
- **Bankruptcy:** refers to a business that is unable to repay its creditors.
- **Liquidation:** selling the assets of a company to pay creditors.

## Introduction

Investment securities is an important way of acquiring/accumulating wealth for both an individual and businesses. Various investment opportunities are available for investors to invest their capital in. Some investors are interested in growing their wealth. Other investors are interested in generating an additional income to supplement their retirement earnings. It's important for investors to take into account the risk associated with each investment type.



### Did you know

The JSE was formed in 1887 during the first South African gold rush. It is the 16th largest in the world and by far the largest of Africa's 22 stock exchanges.

## 9.1 Functions of the Johannesburg Securities Exchange (JSE)

The financial sector in South African is one of the more vibrant and sophisticated sectors in the world economy today. The Johannesburg Securities Exchange (JSE) provides listed companies with the ability to acquire financial resources to start or expand business operations.

The following are some of the functions of the JSE:

- Gives opportunities to financial institutions such as insurance companies to invest their funds in shares.
- Serves as a barometer/indicator of economic conditions in South Africa.
- Keeps investors informed on share prices by publishing the share prices daily.
- Acts as a link between investors and public companies.
- Shares are valued and assessed by experts.
- Small investors are invited to take part in the economy of the country through the buying/selling of shares.



### QR CODE

How to buy shares | South Africa



<https://www.youtube.com/watch?v=vw3lKE7braE>

**Tip**

You should be able to write the functions of the JSE in full sentences.

- Venture capital market is made available on the open market.
- Orderly market for securities serves as a disciplined market for securities.
- Raises primary capital by encouraging new investments in listed companies
- Mobilises the funds of insurance companies and other institutions..

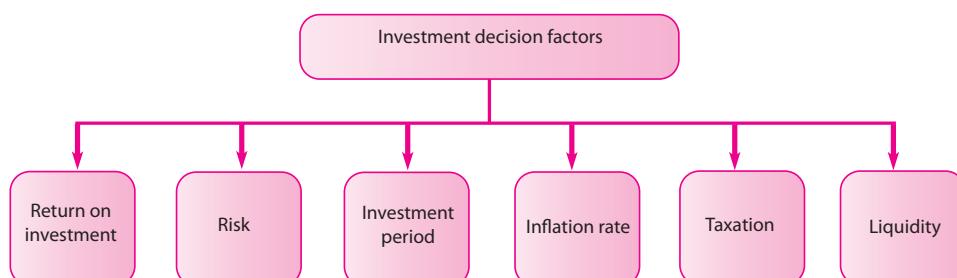
## 9.2 Factors that should be considered when making an investment decision

**Tip**

You should be able to name factors that should be considered when making investment decisions and explain the meaning of each factor.

The primary aim of any investment in businesses is to get a return on the investment. This simply means that at the end of the investment period, the investor wants his investment back plus any additional money that he/she would have made on the investment.

Various investment opportunities are available to an investor and he/she must consider a variety of factors before investing. The illustration below shows a list of factors that must be considered before any investment is made:



Let's look at each one in more detail.

### Return on investment

- Refers to the amount of money the investor gets in addition to the original investment amount.
- The additional amount after tax is expressed as a percentage of the original investment amount.
- Will be higher if the risks involved in the investment are high.
- Will be lower if the risk involved in the investment is low.
- The return on investment after deduction of tax should be higher than the general increase.

The following illustration can be used to improve your understanding of Return on Investment (ROI).



## Risk

- The risk linked to investment opportunities refers to the doubt/uncertainty that exists regarding the extent of any gains/losses that an investor could make.
- Different investment opportunities have different risks linked to them.
- Certain shares do have a low risk over an extended investment period.
- Shares with higher risks have a greater potential for higher returns.
- Investment in ordinary shares has a higher risk as the investor may lose the full/part of the investment when the company is dissolved/declared bankrupt/liquidated.
- The investment in preference shares has a lower risk linked to it because the investor will have rights to the company's assets should it be declared insolvent.

## Investment period

- The Investment period refers to the duration of the investment from the initial date of investment until its **termination**.
- The duration of investment may vary from short, middle or long-term nature depending on the individual needs of the investor.
- The investor will be able to access his/her investment within a short period if the investment is of a short-term nature.
- Higher returns accrue to the investor with long-term investments.
- The choice of the investment period will depend on the personal circumstances of the investor.

Investment Period	Time Period
Short-Term	Up to 2 years
Medium-Term	2 to 5 Years
Long-Term	More than 5 Years

- Investors have the option of investing in the short-, medium- or long term

## Inflation rate

- Inflation refers to a general increase in the price of goods and services over time, while the value of money decreases as a result thereof.
- The higher the inflation rate, the lower the **purchasing power** of money.
- Investors seek those investments in which the return on investment is higher than the inflation rate.
- The value of certain assets like property increases as inflation increases, thus providing investors with a higher rate of return.



### QR CODE

Understanding risks and returns.



[https://www.youtube.com/watch?v=4KGvoy\\_Ke9Y&ab\\_channel=WMIsg](https://www.youtube.com/watch?v=4KGvoy_Ke9Y&ab_channel=WMIsg)

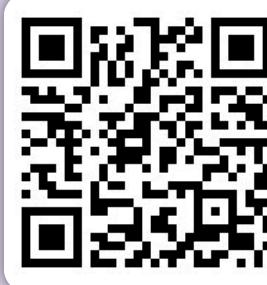
### A New words

**termination** the end of an investment

**purchasing power** refers to the number of goods the currency of a country can buy

### QR CODE

Inflation vs investment.



[https://www.youtube.com/watch?v=MMmCiY-R9rU&ab\\_channel=FinancialBunny](https://www.youtube.com/watch?v=MMmCiY-R9rU&ab_channel=FinancialBunny)

### Did you know

The mandate of the South African Revenue Service (SARS) is to collect all revenues due, ensure optimal compliance with tax and customs legislation.



*South African Revenue Service*

### Tip

Do not confuse the concept of liquidity with the concept of liquidation.



## Taxation

- A good investment will be determined by the percentage of return after payment of taxes due to SARS.
- The investor must make provision for income tax payable to SARS to ensure a high net after-tax return.
- Investors must take note of the fact that different tax rates are applicable for each form of investment.

## Liquidity

- Liquidity refers to the speed with which an investment can be converted into cash.
- The easier it is to convert an investment into cash, the more liquid the investment.
- The more difficult it is for an investment to be converted into cash, the less liquid the investment.
- An amount should be invested in a type of investment that can easily be converted to cash.
- For example, an investment in a savings account will be easier to convert into cash than an investment in fixed property.

### Activity 9.1

### Classwork/Homework

#### QUESTION 1

- 1.1** Complete the following statements by using the word in the list below. Write only the word(s) next to the question number (1.1.1 – 1.1.5) in your notebook.

deflation rate; Johannesburg Securities Exchange ; risk;

return on investment; liquidity; tax; South African Reserve Bank;

political; inflation rate; grants

- 1.1.1** Investors prefer investments in which the return on investment is higher than the ...
- 1.1.2** The speed at which an investment may be converted into cash is known as ...
- 1.1.3** The...serves as a barometer of economic conditions in South Africa.
- 1.1.4** The investment in preference shares has a lower...linked to it, as investors will only have access to the company's assets when it is declared bankrupt.
- 1.1.5** Investors must consider the ... payable to government when deciding on a particular investment.

(5 × 2) (10)



### QR CODE

What is liquidity?

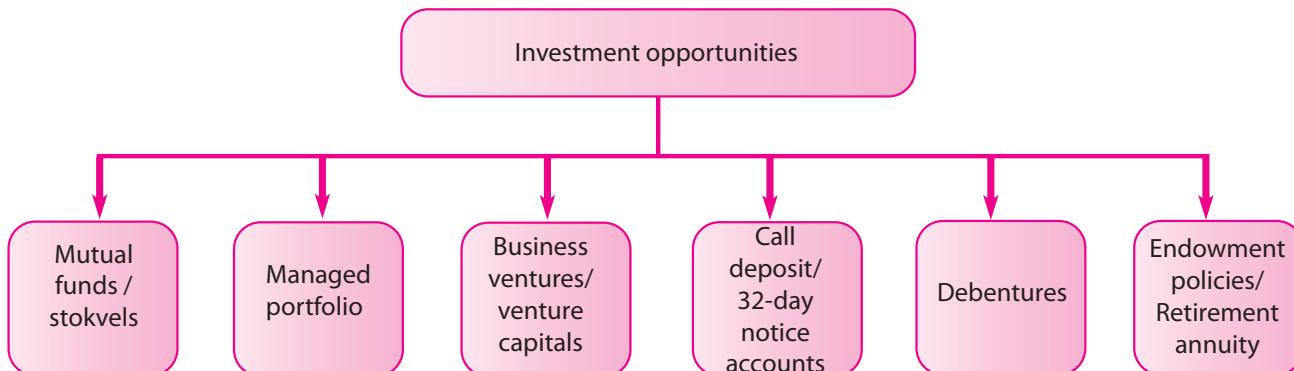


[https://www.youtube.com/watch?v=SaGmRqL-B2c&ab\\_channel=Capital.com](https://www.youtube.com/watch?v=SaGmRqL-B2c&ab_channel=Capital.com)

## Unit 9.3 Types of investment opportunities and risk factors

Investors are advised to consider various investment opportunities to make an informed decision. The choice of investment opportunity depends on individual interest and circumstances. Each investment opportunity is linked to certain risks that an investor must consider prior investment.

The illustration below shows a list of investment opportunities.



- Various investment opportunities are available to investors

Let's take a closer look at these investment opportunities and also analyse the risks associated with EACH.

### Mutual funds/Stokvels

- Stokvels are established by a small group of people who informally/voluntarily make contributions into a savings fund.
- The stokvel allows each member to withdraw money from the collective pool of funds for personal use.
- The return on investment is limited because of the regular fund withdrawals by members.
- Members of the stokvels are encouraged to save monthly for a specific goal.
- The cost of the investment for individual members are low, as bank charges are shared equally amongst members.
- Mutual funds/stokvels are usually managed by a trustworthy chairman/treasurer, who will be responsible for keeping records and managing the bank account.

### Did you know

The term stokvel is unique to the South African context.

### QR CODE

Risks associated with stokvels.



[https://www.youtube.com/watch?v=mFwfMu9ITwA&ab\\_channel=News24](https://www.youtube.com/watch?v=mFwfMu9ITwA&ab_channel=News24)

### Risk

- Members could be contributing to an illegal financial scheme and could lose all the money they contribute.
- The possibility exists that a member would be unable to contribute his/her monthly savings.
- The investment is linked to low risk, and the money of the investors are relatively safe.

## Managed portfolio

- An investor has the opportunity to make use of a financial advisor to manage all his/her investments in one **portfolio**.
- The financial advisor has full control over the investments in the investor's portfolio and may change investment options based on their performance in the market.

## Risk

### A New words

**portfolio** different investment options of an investor

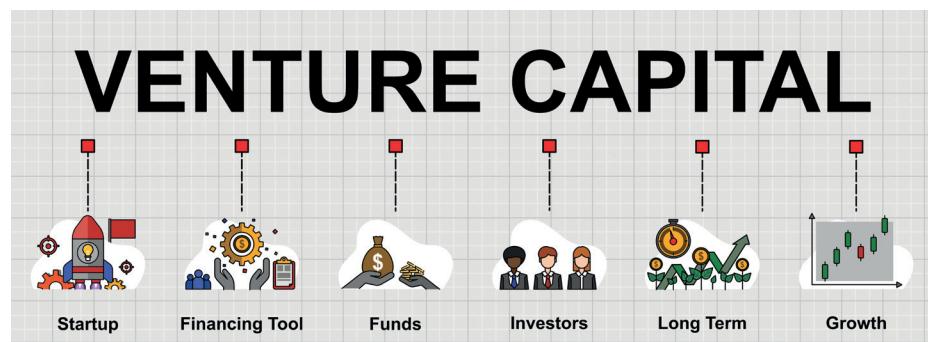
**prevailing** existing at a particular period

## Business ventures/Venture capital

- Investors make funds available to prospective business to start a business, and they become co-owners of the business.
- An investor must familiarise himself/herself with the market in which the business will be operating before making his/her investment.
- Investing in an existing business may be rewarding to an investor – provided that the investor did some research on the **prevailing** market conditions.

### Did you know

From 2021 – 2023, Naspers will invest a total of R4,6-billion in venture capital for the local technology sector.



## Risk

- The risks linked to this type of investment could be high if the investor did not familiarise himself/herself with the market in which the business will be operating his/her business.
- Entrepreneurs with limited experience may not be able to manage the business successfully, causing the investor to lose some/all of his/her investment.

## 32-Day notice accounts/Call Deposits

- The investor will earn interest at a higher rate as compared to current/savings account.
- The investor earns interest at a higher rate than what he/she would have earned if the investment was made into a savings account.

### Risk

- Low risk, as investment plus interest will be paid out on the maturity date of investment.
- The interest is compounded daily, and this increase the value of the investment.
- The interest rate is subject to prevailing market conditions, thus increasing the risk of the investment for the investor.

## Debentures

- Debentures are issued to raise borrowed capital from the public.
- The lender/debenture holder agrees to lend money to the company on certain conditions for a certain period.
- Debenture holders are creditors, as the company is liable to repay the amount of the debentures.
- Most types of debentures can be traded on the JSE.
- Debenture holders receive annual interest payments based on the terms/amount of debentures held..



### Tip

Debentures are a protected form of investment as debenture holders are creditors. Therefore, during liquidation of a company, debenture holders will be paid out any outstanding debt.

### Risk

- Debentures have a low risk as they need to be paid back.
- Companies are liable to repay the original amount of the debenture plus interest, which decrease the risk for the investor.
- Investors may earn a steady income in the form of interest while preserving their principal amount.

## Endowment/Life insurance policies/Retirement Annuities

- An investor makes monthly premium contributions to an insurance company and is **guaranteed** a predetermined fixed amount at the end of the period/at his/her death.
- This investment provides the investor/his dependants with financial security in the event of his/her death.

### A New words

**guaranteed** certain to get/certain to happen

**QR CODE**

Click on the link below to test your knowledge on types of investments and risks.



[https://forms.gle/  
ZnMBsPMijWpwoTR18](https://forms.gle/ZnMBsPMijWpwoTR18)

## Risk

- The risk to the investor is low because payments will be made on the occurrence of a future event/at his/her death.
- The investor may lose his/her money if the insurance company is declared bankrupt before the occurrence of the event insured against.

**Activity 9.2****Classwork/Homework****QUESTION 1**

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

**HORIZON INVESTMENT SPECIALISTS (HIS)**

Horizon Investment Specialists provide investors with opportunities to invest surplus funds. Mandy Frazer, a new investor at HIS, requested the company's financial advisor to manage her various investments in one basket.

- 1.1.1 Identify the type of investment applicable to Mandy in the scenario above. Motivate your answer by quoting from the scenario. (3)

- 1.1.2 Explain the risk associated with the type of investment opportunity identified in QUESTION 1.1.1. (6)

- 1.2 Advise investors of the risks associated with the following types of investments:

- 1.2.1 Mutual funds/stokvels (4)

- 1.2.2 Debentures. (4)

[17]

**Tip**

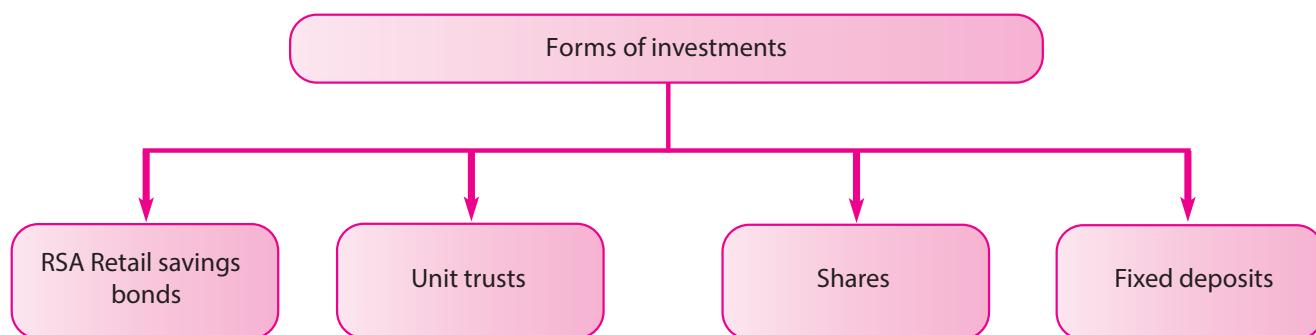
## Unit 9.4 Forms of investments

In this unit we will learn about specific forms of investments that are available to investors. The choice of investment will be affected by various factors, which includes the circumstances of the investor. The investor must familiarise himself/herself with the impact that the investment will have on his/her investment.

### The impact of the four forms of investment

Investors are constantly seeking new forms of investment that will increase the return on their investments and lower the risks. The choice of a particular type of investment has a direct impact on the financial reward that may accrue to the investor. The impact could be either positive (advantages) and/or negative (disadvantages).

This illustration shows the different forms of investments available to investors.



## The impact of RSA Retail Savings Bonds/Government Retail Bonds

The South African Government offers its citizen the opportunity to invest in saving bonds as a strategy to encourage savings in the country. There are two types of retail savings bonds namely , fixed rate and inflation linked retail savings bonds. Interest is earned half-yearly on 31 March and 30 September and paid out into the bond holder's/investor's bank account.

### Positives/Advantages

- The interest rate is fixed for the duration of the investment, thereby providing the investor certainty of a return on his/her investment.
- More investors could invest in this type of investment because they are offered interest rates that are determined by the markets.
- The investor receives interest payments twice a year from the government.
- The investor has free access to his investment and may withdraw cash after the first year of the investment.
- The investment is a low-risk investment because it's an investment instrument issued by the South African government.
- The investment is available to people from all income groups.

**AND/OR**

### Negatives/Disadvantages

- This investment type cannot be offered as a form of **security** in return for loans from financial institutions.
- This investment requires a minimum investment amount of R1 000, which could too much for some small investors to spend.
- Investors do not have the option of freely exchange retail bonds amongst themselves.
- People younger than 18 do not have the option of investing in this form of investment.
- An investor is liable to pay a penalty should he/she wish to withdraw funds from this investment before a period of 12 months has expired.

### Tip

Ensure that you are able to evaluate the impact of EACH form of investment.



### Tip

Do not confuse the RSA Retail bonds with Unit trust.

### Tip

A minimum of R1 000 must be invested in an RSA retail savings bond..

### A New words

**security** an asset that is guaranteed by the person requiring funding, providing the financial institution protection should the borrower not be in a position to repay a loan/debt

## Impact of unit trusts

It is a collection of investment options/methods made up of shares in different companies. The investments of a number of investors are pooled together in a unit trust fund, managed by a fund/portfolio manager/expert. Can be bought directly from the accredited service providers.



### Positives/Advantages

- Unit trusts are pooled funds of investors that are managed by a fund manager on behalf of the investors who buy shares on the JSE.
- The fund manager chooses from a variety of share options that offer low to high risks investments.
- The investments are managed according to predetermined rules and procedures, which makes this type of investment a safe option.
- The amounts that may be invested each month varies from small amounts to big amounts.
- Investment options like online investments make it easy for investors to work with this type of investments.
- Investors have free access to the funds and may convert them to cash in the event of an emergency.
- Lowers the potential risk and allows more people to invest in the fund.

AND/OR

### Negatives/Disadvantages

- Share prices, as a rule, are subject to fluctuations, which may increase the risk of this type of investment.
- Growth of unit trust investments is dependent on the established and well recognised companies in which shares were bought, continue to grow/expand.
- The funds of the unit trust are limited to the contributions of members and may not be increased by other borrowings.
- This investment option is not recommended to investors who want to invest for a limited period.
- This investment option is not suitable for investors who want to evade risks.

## Impact of shares

Companies sell/issue portions of its ownership to shareholders in the form of shares to obtain capital/funds to operate its core business. Shares give the holder one vote per share and the right to receive a dividend. Shares of listed companies are traded on the JSE. Shares can be bought/sold through stock/share brokers to whom a brokerage/fee will be paid by the investor.

## Positives/Advantages

- A shareholder will be entitled to dividend payments, based on a high number of shares purchased.
- The shares may be freely sold and purchased on the JSE.
- The investors have voting rights at the Annual General Meetings of the public company.
- The investor's return on investment is based on the financial performance of the company.
- Investors invest in shares as **hedging** against increases in the general price levels of goods and services.
- The growth in the value of shares may provide the investors with a good return of investments over a longer period.

**AND/OR**

## Negatives/Disadvantages

- Dividends payable to shareholders are reliant on the company declaring a dividend based on the profit it made (if any).
- Investors must rely on the **goodwill** of the company to declare a dividend.
- Shareholders could lose their investment should the company be declared insolvent, making the risk high.
- The value of the dividends declared by the company is determined by the directors of the company.

## Impact of fixed deposits

It is a very conservative method of investment at a fixed rate for a fixed period/at a financial institution/bank. Money cannot be withdrawn/added during the period of the deposit. Investors have to be certain that they will not access/need the money for the period of the deposit..

## Positives/Advantages

- The investor is certain of the return on investment because the interest rate is fixed for a predetermined period.
- The period of investment available to the investor ranges from short-term, medium-term, or long-term periods.
- The investor doesn't have access to his/her funds for the duration of the investment period, thus instilling a sense of financial discipline.
- The duration of the investment period is determined solely by the investor.
- The return on investment of this type of investment is higher.
- Investors earn a better return on investment than on an ordinary savings account.
- The investor will be paid the original amount of the investment plus all interest earned during the investment period.

**AND/OR**

## Negatives/Disadvantages

- The investor doesn't have access to any funds invested until the end of the investment period.
- The return in investments may be lower than the general rate of inflation.
- This type of investment generally provides the investors with lower returns than other types of investments.
- Penalties may be charged for early withdrawal.

## A New words

**hedging** an investment that shields your finances from the possibility of risks

**goodwill** an attitude of kindness



### Tip

Do not confuse fixed deposits with the RSA Retail Bonds or unit trusts as a form of investment.



## Types of shares

Various types of shares may be offered to investors by a company. The shareholders of these shares have different obligations and rights in terms of the shares held. Certain shares must be purchased, while other shares are offered to the investors without the company receiving payment for it. Certain shareholders are guaranteed a dividend, while other shareholders must wait for the company to declare a dividend.

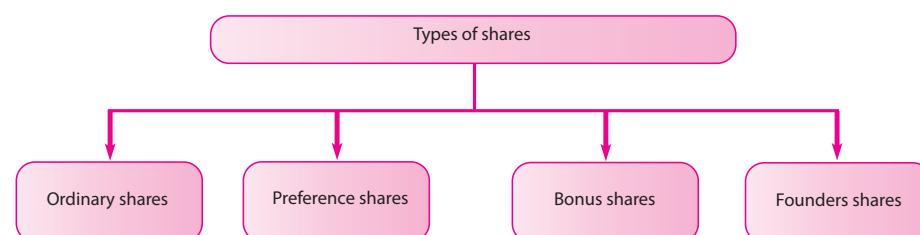
### Did you know

Ordinary shares are also called equity shares.

### Tip

You should be able to identify the different types of shares from given scenarios/statements.

This illustration shows the different types of shares offered to investors by companies.



Type of share	Description
1 Ordinary shares	<ul style="list-style-type: none"> <li>Ordinary shares only receive dividends when profit is made.</li> <li>Normally the higher the net profit, the higher the dividend.</li> <li>Shareholders are the last to be paid, if the company is declared bankrupt liquidated.</li> <li>Dividends vary from year to year according to profits made and are determined by the company/board of directors.</li> <li>Shareholders have a right to vote at the Annual General Meeting/AGM.</li> </ul>
2 Preference shares	<ul style="list-style-type: none"> <li>Some of these types of shares receive dividends regardless of whether a profit is made.</li> <li>A fixed rate of return is paid on this type of shares.</li> <li>Shareholders have a preferred claim on company assets in the event of bankruptcy/liquidation.</li> <li>These shares enjoy preferential rights to dividends/repayment over ordinary shares.</li> <li>Dividends are payable according to the type of preference share.</li> <li>Voting rights are restricted to particular circumstances/resolutions.</li> </ul>
3 Bonus shares	<ul style="list-style-type: none"> <li>Payment in the form of shares to shareholders.</li> <li>Issued as compensation for unpaid dividends.</li> <li>Shareholders will own more shares and collect more dividends in the future.</li> <li>Shareholders receive these shares without being required to pay for them.</li> </ul>
4 Founders shares	<ul style="list-style-type: none"> <li>Issued to the founders and incorporators/promoters of the company.</li> <li>They receive dividends after all other shareholders were paid.</li> </ul>

## Types of preference shares

Investors do have the option of investing their funds in preference shares instead of ordinary shares. This option provides shareholders with the benefit of being treated differently from ordinary shareholders when dividends are paid out and in the event of insolvency of the company.

Here is a list of preference shares:

Participating	Cumulative	Redeemable	Convertible
Non-participating	Non-cumulative	Non-Redeemable	Non-convertible

### Participating preference shares

- The investor is certain of receiving a minimum fixed dividend from the company.
- Any surplus profit the company may have made must be shared with the investor.
- The investor is entitled to receive higher dividend payments if the company makes a higher profit.
- The investor is entitled to receive payments before ordinary shareholders if the company should be declared insolvent/bankrupt.

### Non-participating preference shares/Ordinary preference shares

- The investor is certain of receiving a minimum fixed dividend from the company.
- They do not share in any surplus profit the company may have made.
- The investor is not entitled to receive higher dividend payments if the company makes a higher profit.
- If the company should be liquidated, the investor will be paid back his/her original investment and all unpaid dividends due to him/her.

### Cumulative preference shares

- Investors will receive payments for past dividends that were not paid out because of poor financial performance by the company.

### Non-cumulative preference shares

- Investors will not receive payments for past dividends that were not paid out because of poor financial performance by the company.

### Redeemable preference shares

- Investors can sell the shares back to the company they bought them from at a fixed price should the company so desire.

### Non-redeemable preference shares

- Investors can sell the shares back to the company they bought them should the company close down for reasons other than bankruptcy/insolvency.

### Convertible preference shares

- The investor can convert the shares into a fixed number of ordinary shares on a future date determined on the date the shares were issued.

### Non-convertible preference shares

- The investor can convert the shares into a fixed number of ordinary shares.

### Tip

Ensure that you are able to distinguish between the various types of preference shares. The wording of the preference shares cannot be paraphrased. Use key words to clearly differentiate between EACH preference share, as you may be required to describe/discuss or identify them from scenarios.

**QR CODE**

Differences between the ordinary and preference shares.



[https://www.youtube.com/watch?v=Ym97VSo\\_-Pl&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=Ym97VSo_-Pl&ab_channel=LisaAkerman)

## Differences between ordinary and preference shares

The investor has the option of investing in either ordinary shares or preference shares when investing in a company. The choice of shares the investor invests in, is determined by his/her personal financial circumstances.

Let us look at the difference between ordinary and preference shares.

Ordinary shares	Preference shares
<ul style="list-style-type: none"> <li>The shareholder is only entitled to receive a return on his investment when the company makes a profit and declares a dividend.</li> </ul>	<ul style="list-style-type: none"> <li>The shareholders of a certain type of preference shares are entitled to dividend payment regardless of whether the company declares a dividend payment or not.</li> </ul>
<ul style="list-style-type: none"> <li>A higher dividend is payable to the shareholder if the profits are higher.</li> </ul>	<ul style="list-style-type: none"> <li>The shareholder will receive a fixed rate of return regardless of the amount of the profit.</li> </ul>
<ul style="list-style-type: none"> <li>Should the company be liquidated, the shareholder will be paid only after the preference shareholders have been paid from the sale of the remaining assets.</li> </ul>	<ul style="list-style-type: none"> <li>Should the company be liquidated, the shareholder will be paid before the ordinary shareholders get paid from the sale of the remaining assets.</li> </ul>
<ul style="list-style-type: none"> <li>The shareholder receives standard shares with no special privileges.</li> </ul>	<ul style="list-style-type: none"> <li>The shareholder receives special privileges in terms of dividend payments.</li> </ul>
<ul style="list-style-type: none"> <li>The dividend payments to shareholders fluctuate from year to year, and in certain years no dividends are paid.</li> </ul>	<ul style="list-style-type: none"> <li>The dividend payments to shareholders are fixed, and payments made depend on the type of preference shares purchased.</li> </ul>
<ul style="list-style-type: none"> <li>The shareholder has the right to participate and vote at the Annual General Meetings of the company.</li> </ul>	<ul style="list-style-type: none"> <li>The voting rights of the shareholder is limited to issues affecting the rights of the preference shareholders.</li> </ul>

## The rights of ordinary and preference shareholders

The differences between ordinary shares and preference shares are further explained by the different rights that the respective shareholders are entitled to. These rights are protected and cannot be taken away from the shareholders.

### A New words

**disclosure** providing all the information required by investors

### Rights of ordinary shareholders

- The shareholders has a right to receive notice of and attend the Annual General Meetings of the company.
- The shareholders has the right to participate and vote at the Annual General Meetings of the company.
- Attend the Annual General Meeting to learn about the company's performance.
- The shareholder must be allowed to vote for the directors of the company.
- Full **disclosure** must be made to the shareholders by providing them with copies of all financial reports.
- If a company is declared bankrupt/insolvent, the shareholders have claims on the assets of the company after the creditors and preference shareholders.

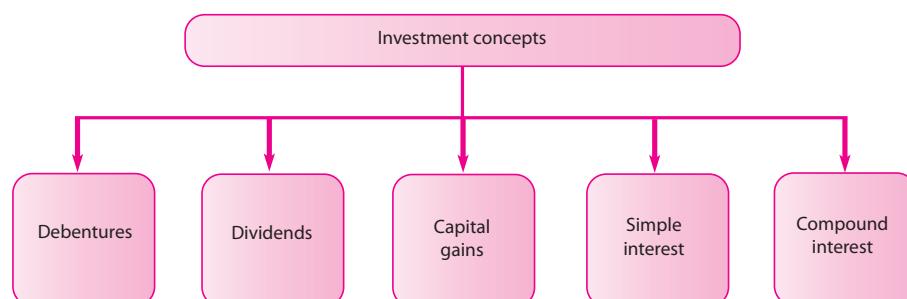
## Rights of preference shareholders

- The investor is entitled to receive dividends irrespective of the profit levels of the company.
- They only have voting rights at the AGM under particular circumstances/for certain resolutions.
- In the event of the company being declared bankrupt/insolvent, they have a claim on the assets of the company before ordinary shareholders.
- Full disclosure must be made to the investors by providing them with copies of all financial reports.
- The voting rights of the investor is limited to issues affecting the rights of the preference shareholders.

## Investment concepts

The investment sector has its own terminology, each with its own meaning. It is important for investors and companies locally, nationally, and globally to be able to communicate with each other regarding investment matters. The use of similar concepts provides the investors and companies with a communication tool for speedy decision-making processes and networking.

The illustration below lists some of these investment concepts:



### Debentures

- It is a financial instrument that allows companies to borrow money from the public.
- The investor lends a certain amount of money to a company for a certain period.
- The investor is a creditor to the company and the company is bound to repay the investor the original amount plus any interest accrued.
- Companies that require additional funding may access debentures on the JSE.
- The investor receives annual returns on his/her investment from the companies to whom the debentures were issued.

### Dividends

- The return on an investment in shares which is paid regularly by a company to its shareholders.
- Dividends are decided and managed by the company's board of directors and approved by the shareholders through their voting rights.

#### Tip

The word dividend is derived from the word divide, because the profit of the company must be divided amongst multiple shareholders. Hence, the term dividend.

## Capital gain

- This refers to the growth in value of property/assets/investments in relation to the original amount invested over a certain period.
- The investor is compelled to pay tax to SARS on the additional amount of growth of the property/assets/investment over some time.

## Simple interest

- Refers to the amount of interest earned based on the original investment of the investor.

## Compound interest

- Refers to the amount of interest earned based on the original amount invested, as well as interest earned in the preceding years that were added to the original amount invested.

### ••| Activity 9.3 Classwork/Homework

#### QUESTION 1

Businesses should consider the different investment factors before investing in shares. Many different kinds of shares are available and sufficient research should be done before choosing the appropriate type of share. Thorough consideration is needed before investing in unit trusts.

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

- Elaborate on the meaning of risk and inflation rate as investment decision factors.
- Distinguish between *ordinary* and *preference shares*.
- Discuss FOUR types of preference shares.
- Advise investors on the impact of unit trusts as a form of investment.

[40]

## Unit 9.5 Understanding simple and compound interest

The distinction between simple and compound interest is provided below.

Simple interest	Compound interest
<ul style="list-style-type: none"> <li>• Interest earned on the original amount only.</li> </ul>	<ul style="list-style-type: none"> <li>• Interest earned on the original amount invested, and the interest earned in the preceding years is added to the original amount invested.</li> </ul>
<ul style="list-style-type: none"> <li>• The value of the original amount remains the same for the duration of the investment.</li> </ul>	<ul style="list-style-type: none"> <li>• The value of the original amount increases as additional interest is added in subsequent years.</li> </ul>

Simple interest	Compound interest
<ul style="list-style-type: none"> <li>The interest portion of the investment is accounted for separately from the original amount of the investment.</li> </ul>	<ul style="list-style-type: none"> <li>The interest portion of the investment is added to the original investment, thus increasing the original investment.</li> </ul>
<ul style="list-style-type: none"> <li>The return on investment is lower than the return on investment of compound interest.</li> </ul>	<ul style="list-style-type: none"> <li>The return on investment is higher than the return on investment of simple interest.</li> </ul>
<ul style="list-style-type: none"> <li>The total amount of interest earned is lower than the total amount of compound interest earned.</li> </ul>	<ul style="list-style-type: none"> <li>The total amount of interest earned is higher than the total amount of simple interest earned.</li> </ul>

### QR CODE

Simple interest formula explained.



[https://www.youtube.com/watch?v=2Qv6g59-AfM&ab\\_channel=TheHowToScholar%3AEducation](https://www.youtube.com/watch?v=2Qv6g59-AfM&ab_channel=TheHowToScholar%3AEducation)

## Calculating simple and compound interest

### Calculating simple interest

The following formula is used to calculate simple interest:

Interest =  $P \times r \times t$ , where:

- $P$  is the principal/original amount of the investment
- $r$  is the interest rate
- $t$  is the period of the investment

### Calculating compound interest

The following formula is used to calculate compound interest:

Interest =  $P \times (1 + i)^n - P$ , where:

- $P$  is the principal/original amount of the investment
- $r$  is the interest rate
- $n$  is the number of investment periods

### QR CODE

Calculating compound interest explained



<https://www.youtube.com/watch?v=gnt4iL9gTaE>

### Example activity and solution: Calculation of simple and compound interest

Read the scenario below and answer the questions that follow:

Kaley wants to invest R50 000 in a fixed deposit for two years. Standford Bank offered her 12% simple interest per annum and Capital Bank offers her 12% compounded interest per annum.

- Calculate the amount of interest that Kaley will receive after two years if she invests with Standford Bank.
- Calculate the amount of interest that Kaley will receive after two years if she invests with Capital Bank.
- Recommend the best investment option for Kaley. Motivate your answer.

**Suggested answer**

- Calculation of simple interest.

$$\text{Interest} = P \times r \times t$$

$$P = \text{R}50\,000$$

$$r = 12\% \text{ [Write as a decimal fraction by dividing by 100]} = \frac{12}{100} = 0,12$$

$$t = 2 \text{ years}$$

$$\begin{aligned}\text{Interest} &= P \times r \times t = \text{R}50\,000 \times 0,12 \times 2 \\ &= \text{R}6\,000 \times 2 \\ &= \text{R}12\,000\end{aligned}$$

- Calculation of compound interest.

There are two options available to calculate the compound interest.

**Option 1**

- Calculate the interest that Kaley would have earned in Year 1, by using the simple interest formula.
  - Add the interest earned in Year 1 to the principal amount of the investment; then calculate the interest earned in Year 2 by using the simple interest formula.
  -
- Year 1:  $\text{R}50\,000 \times 0,12 \times 1 = \text{R}6\,000$  [add this amount to the principal amount to get the principal amount of Year 2]  
 Year 2:  $(\text{R}50\,000 + 6\,000) \times 0,12 \times 1 = \text{R}6\,720$

$$\text{Total interest : } \text{R}6\,000 + \text{R}6\,720 = \text{R}12\,720$$

**Option 2**

- This option involves using the compound interest formula.
- Write down the formula.
- Find the values of  $P$ ,  $i$  and  $n$ .
- Substitute the values in the scenario into the formula.

$$\text{Interest} = P \times (1 + i)^n - P$$

$$P = \text{R}50\,000$$

$$i = 12\% \text{ [Write as a decimal fraction by dividing by 100]} = \frac{12}{100} = 0,12$$

$$n = 2 \text{ years}$$

$$\begin{aligned}\text{Interest} &= P \times (1 + i)^n - P = \text{R}50\,000 \times (1 + 0,12)^2 - \text{R}50\,000 \\ &= \text{R}50\,000 \times (1,12)^2 - \text{R}50\,000 \\ &= \text{R}50\,000 \times (1,12 \times 1,12) - \text{R}50\,000 \\ &= \text{R}50\,000 \times (1,2544) - \text{R}50\,000 \\ &= \text{R}62\,720 - \text{R}50\,000 \\ &= \text{R}12\,720\end{aligned}$$

- The best investment option for Kaley is compound interest.

- The best investment option for Kaley is to invest her money at Capital bank.
- Motivation:
  - » Compound interest yields interest of R720 more than simple interest.
  - » Compound interest allows Kaley to earn interest on interest.

**Activity 9.4****Classwork/Homework****QUESTION 1**

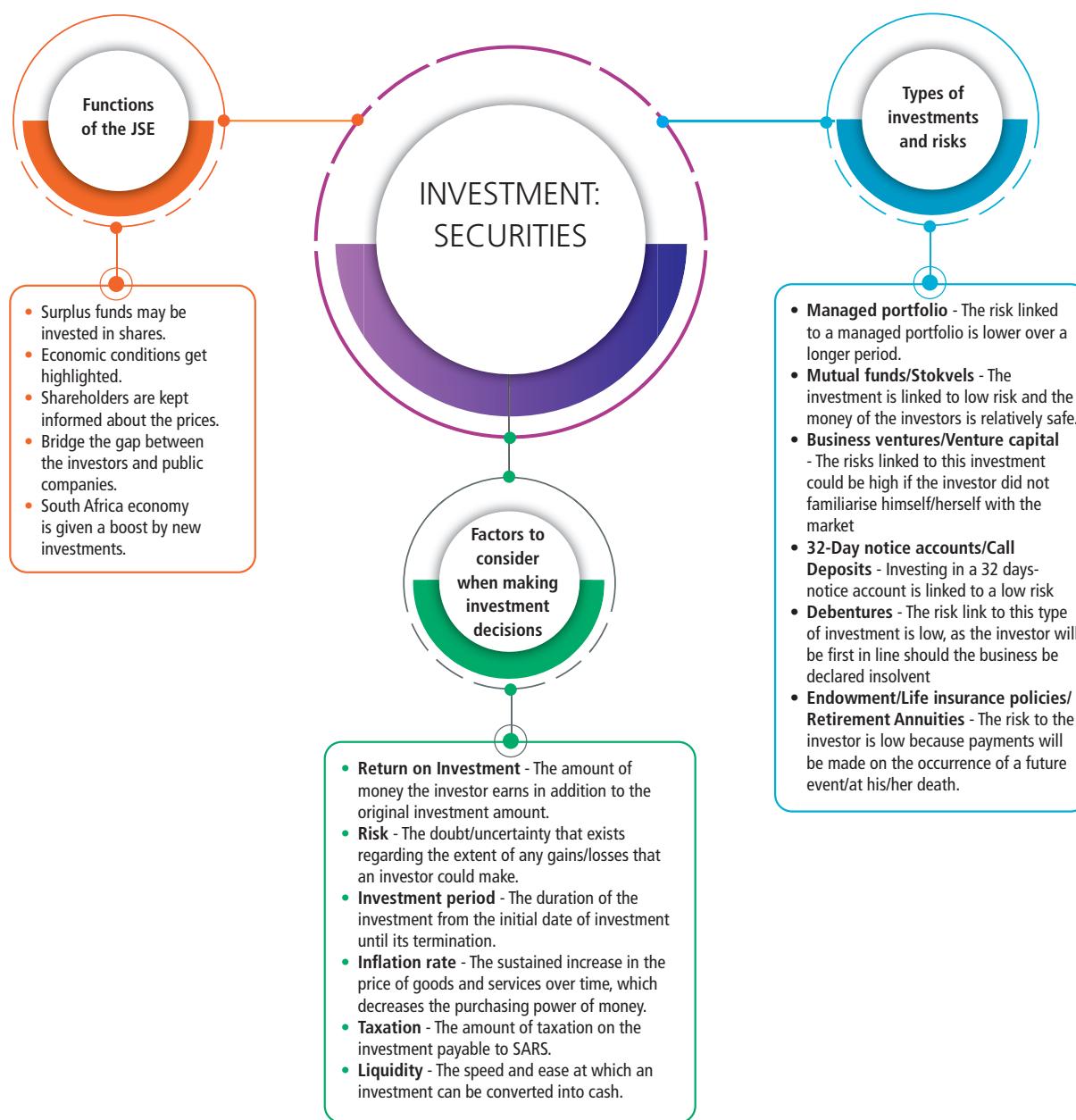
Read the scenario below and answer the questions that follow:

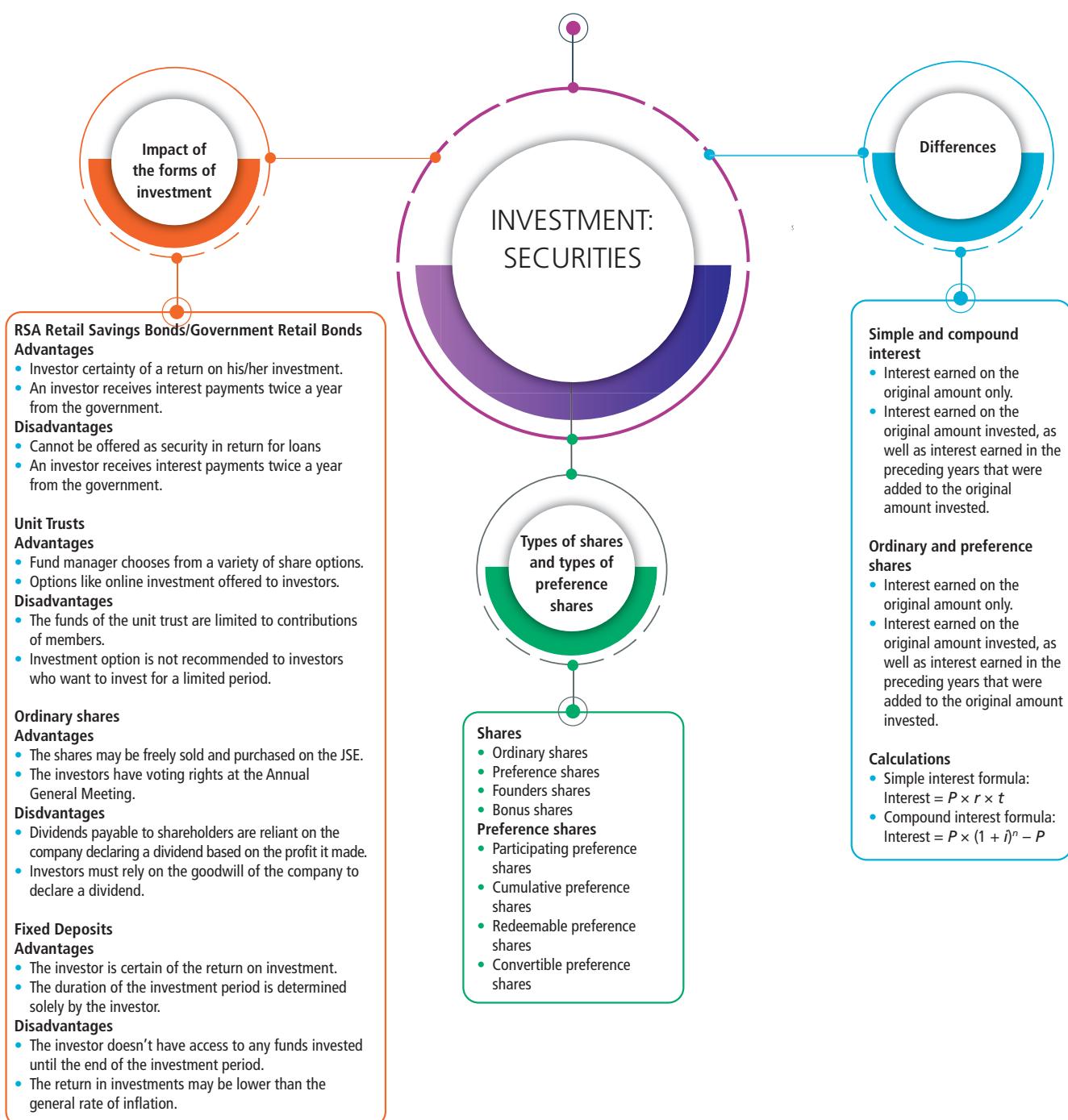
Zinzi inherited R100 000 and wants to invest it in a fixed deposit for three years. Capsa Bank offered her 8% simple interest per annum and Fedbank offered her 8% compounded interest per annum.

- 1.1 Calculate the amount of interest that Zinzi will receive after three years if she invests with Capsa Bank. (4)
  - 1.2 Calculate the amount of interest that Zinzi will receive after three years if she invests with Fedbank. (4)
  - 1.3 Recommend the best investment option for Zinzi. Motivate your answer. (4)
- [12]

**Mind map: Topic 9 – Investment securities**

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.





### 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 – 1.1.5 ) in your notebook, for example, 1.1.6 D.
- 1.1.1 The type of investment provided by investors to startup firms with long-term growth potential.
- Managed portfolio
  - Debentures
  - Bonds
  - Venture capital

**Consolidation**

- 1.1.2** Gail opted to invest in a/an ... because she will be paid the original amount of the investment plus all interest earned during the investment period.
- A fixed deposit  
B unit trust  
C shares  
D an endowment policy
- 1.1.3** Zodwa received her ... on the investment in shares with MNT.
- A interest  
B dividend  
C lump-sum  
D loan
- 1.1.4** The growth in value of an asset in relation to the original amount invested over a certain period.
- A Profit  
B Taxes  
C Capital gains  
D Bonus shares
- 1.1.5** A company may issue ... to raise borrowed capital from the public.
- A loans  
B debentures  
C endowment policies  
D managed portfolios

(5 × 2) (10)

**QUESTION 2****2.1** List FOUR factors that should be considered when making investment decisions. (4)**2.2** Read the scenario below and answer the questions that follow:**UNIFIED AFRICAN GROUP (UAG)**

The Unified African Group was recently established to provide members of the local community with opportunities to contribute to a savings fund informally. Members take turns to make withdrawals from the fund for their own personal gain.

- 2.2.1** Identify the type of investment opportunity applicable to UAG. Motivate your answer by quoting from the scenario above. (3)
- 2.2.2** Explain the risks associated with the type of investment identified in QUESTION 2.2.1. (4)
- 2.3** Distinguish between *ordinary shares* and *preference shares*. (8)
- 2.4** Advise investors on the rights of preference shareholders. (6)

[25]

**QUESTION 3: BUSINESS VENTURES (INVESTMENT: SECURITIES)**

The Johannesburg Securities Exchange (JSE) plays an important role in growing the South African economy. The JSE offers investors opportunities to earn simple or compound interest on their investments. Different forms of investment impacts investors differently. Ordinary shareholders are entitled to certain rights related to their investments.

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

- Outline the functions of the JSE.
- Distinguish between *simple interest* and *compound interest*.
- Evaluate the impact of the following forms of investment:
  - » Fixed deposits
  - » Unit trusts
- Advise investors on the rights of ordinary shareholders.

[40]

## TERM 2

## 10

## Investment: Insurance



## TOPIC OVERVIEW

- Unit 10.1 Insurance concepts
- Unit 10.2 The principles of insurance
- Unit 10.3 Advantages/Importance of insurance for businesses and insurable risks



## Learning objectives

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

- ❖ define/elaborate on the meaning of insurance
- ❖ explain/elaborate on the meaning of non-compulsory insurance
- ❖ explain/elaborate on the meaning of the following insurance concepts:
  - over-insurance
  - under-insurance
  - average clause
  - reinstatement
  - excess
- ❖ explain the differences between over- and under-insurance
- ❖ differentiate/distinguish between insurance and assurance and give examples of each
- ❖ name/give examples of short-term and long-term insurance
- ❖ name/explain/discuss the following principles of insurance:
  - indemnification/indemnity
  - security/certainty
  - utmost good faith
  - insurable interest
- ❖ identify the above-mentioned principles of insurance from given scenarios/statements
- ❖ apply the average clause to calculate the compensation in the case of under-insurance
- ❖ explain/discuss the advantages/importance of insurance
- ❖ explain the meaning of insurable and non-insurable risks
- ❖ outline/give examples of insurable and non-insurable risks
- ❖ explain/elaborate on the meaning of compulsory insurance
- ❖ explain/differentiate/distinguish between compulsory and non-compulsory insurance and give examples



## Learning objectives

- ❖ discuss/explain types of compulsory insurance e.g., Unemployment Insurance Fund (UIF), Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)/Compensation for Occupational Injuries and Diseases Fund (COIDA)
- ❖ explain the types of benefits paid out by the UIF
- ❖ identify types of compulsory insurance from given scenarios/statements
- ❖ keep abreast of the changes in legislation from time to time, for example, the RAF is currently changing to the RABS.



## Key concepts

- **Insurance:** agreement between insured and insurer in which the insurer agrees to compensate the insured in the event of a specified loss, in exchange for a premium.
- **Compulsory insurance:** insurance required by law, for example, UIF.
- **Non-compulsory insurance:** optional insurance against specified losses that may or may not occur.
- **Under-insurance:** this occurs in the insurance industry if an individual/business insures assets/possessions for an amount of money that is less than the market value of the assets/possessions.
- **Over-insurance:** this occurs in the insurance industry if an individual/business insures assets/possessions for an amount of money that is more than the market value of the assets/possessions.
- **Market value:** the amount of money at which the asset/possession can be sold.
- **Risk:** the possibility that losses/damages/injury may occur.
- **Premium:** the amount of money that the insured must pay to the insurer.
- **Insured value:** The amount of money agreed to by the insured and insurer to insure assets/life of a person when the contract is signed.
- **Book value:** The purchase price of an asset, less depreciation.
- **Public liability:** Damage caused by business operations to the public.

## Introduction

The introduction of the concept of insurance into the business world was necessary because of the various risks that assets/possessions of people/businesses were exposed to. The most common risk in ancient times was the risk of losing cargo that was transported by ships in stormy weather. Later, the risk of fire to buildings was added when a massive fire destroyed more than 30 000 houses in Britain. Then accident and disability cover were added as risks that could be insured.

[Source: Adapted from <http://wsrinsurance.com/how-insurance-began-3000-years-of-history/>, Date accessed: 12 April 2021, Author: Whit Thompson].

The value of insurance for businesses is indispensable in the modern economy. Businesses need to insure their property and assets against unforeseen eventualities.

## Unit 10.1 Insurance concepts



### QR CODE

The meaning of insurance.



[https://www.youtube.com/watch?v=mLdg5XqVdNU&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=mLdg5XqVdNU&ab_channel=LisaAkerman)

### The meaning of insurance

Two parties are involved in all insurance contracts – namely the insurer and the insured. The insured takes out an insurance contract and make regular payments, known as premiums, to the insurer. The insurer undertakes to indemnify the insured against possible losses that are covered in the insurance contract.

The insurance industry is a legal entity that is quite sophisticated. It is important that both the insured and the insurer are familiar with the legal requirements and the jargon that is used to express certain occurrences within the industry. Let's look at some of the common concepts that form part of the common language of the insurance industry.

### Non-compulsory insurance

- Refers to insurance where the insured has the option of insuring against certain risks that may or may not occur.
- The decision to insure an asset/risk, lies solely with the insurer and is not influenced by the government.

### Over-insurance

- It occurs when assets/risks are insured for more than its market value by the insured.
- The insurer can choose to reinstate the insured.
- Compensation will not be more than the market value of the item/asset in the event of a claim.

### Under-insurance

- Occurs when items/assets are insured for less than its market value.
- The insured will be compensated partly for losses/damages, in the event of a claim.

### Average clause

- A stipulation set by the/ insurer which is applicable when property/goods is under insured/insured for less than its market value.
- The insurer will pay for insured loss/damages in proportion to the insured value.
- The insured will be personally liable for the part of the risk that was not covered by the insurer.

## Average clause calculations

The insured has the responsibility of insuring assets/possessions at the full market price of the assets/possessions. Should any assets/possessions be insured for less than their market value, the insurer will apply the average clause to determine the amount of money that will be paid in the event of a claim by the insured.

The formula used to calculate the average clause amount:

- The insured amount is divided by the market value of the insured item and multiplied by the total value/amount of the damages/loss.

FORMULA:  $\frac{\text{Amount insured}}{\text{Value of the insured item}} \times \text{Amount of damages/loss}$

### Exemplar activity on calculating average clause

#### PRO-COVER INSURERS (PCI)

Yolanda owns a holiday house in Durban valued at R2 million. She insured her house with Pro-Cover Insurers for R1,5 million. A fire in the main bedroom caused damages of R100 000. She submitted a claim to PCI for the full amount of the damages.

1. Calculate the amount that Pro-Cover Insurers will pay Yolanda for the damages she suffered. Show ALL calculations.
2. Explain to Yolanda the reason/s why she did not qualify for the full amount of damages.

#### Suggested answer

$$\frac{\text{Amount insured} \times \text{Amount of damages/loss}}{\text{Value of insured item}}$$

$$\frac{\text{R1 500 000} \times \text{R100 000}}{\text{R2 000 000}}$$

$$= \text{R75 000}$$

Reasons for not qualifying for the full amount of damages

- Yolanda insured her house for less (R1,5 million) than the market value (R2 million).
- She was under-insured, thus, the average clause was applied.

#### Take note

The average clause applies when assets/possessions are under-insured.

'What is the average clause?'



#### Take note

The average clause is not one of the principles of insurance.

 **Take note**

Reinstatement applies when goods/assets are over-insured.

## Reinstatement

- It is a stipulation whereby the insurer may replace lost/damaged property/goods instead of reimbursing the insured.
- This stipulation is applicable when property/goods are over insured.
- Damages to items/assets will be compensated by repairing/replacing the item instead of making a cash payment to the insured.
- The cash payment will not be more than the market value of the assets/possessions of the insured.
- The insured must be placed in a similar financial position after the risk occurred, as the insured was in before the risk occurred.
- The insured may therefore not make a profit from a risk insured against.

## Excess

- It is not paid out to the insured when a claim is settled.
- Excess is the amount the that the insured agrees to pay should they claim for losses/damages.
- Excess payments keep insurance premiums lower and they discourage fraud.
- Insurers need to protect themselves from fraudulent claims, therefore excess payments are a good way to do this as the insured is less likely to submit a false claim when he or she needs to pay an amount upfront.
- Excess payment prevents the insured from claiming for minor damages.
- The amount/size of the excess is stipulated in the insurance policy.
- Example of excess payment:

Sam's computer was insured for R6000 with an excess payment of R500. When it is stolen, the insurer paid out R5500 to Sam for a new computer.

## Under-insurance and over-insurance

The table below lists the differences between over-insurance and under-insurance.

Over-insurance	Under-insurance
<ul style="list-style-type: none"> <li>• The insured insures assets/possessions for more than the market value.</li> </ul>	<ul style="list-style-type: none"> <li>• The insured insures assets/possessions for less than the market value.</li> </ul>
<ul style="list-style-type: none"> <li>• The insurer will apply the reinstatement clause to compensate for losses incurred.</li> </ul>	<ul style="list-style-type: none"> <li>• The insurer will apply the average clause should the insured submit a claim for losses/damages.</li> </ul>
<ul style="list-style-type: none"> <li>• Compensation by the insurer will not be more than the market value of the items damaged/loss.</li> </ul>	<ul style="list-style-type: none"> <li>• The insured will be compensated partly/proportionally for damages/losses incurred.</li> </ul>
<ul style="list-style-type: none"> <li>• The insurer will replace/repair the damages/loss incurred by the insured.</li> </ul>	<ul style="list-style-type: none"> <li>• The insurer will pay the insured cash for damages or losses incurred.</li> </ul>

## Insurance and assurance

Distinct differences exist between the concepts of insurance and assurance. The nature of the risk to the insured will determine whether the cover will relate to insurance or assurance.

The table below sets out the differences between insurance and assurance.

Insurance	Assurance
<ul style="list-style-type: none"> <li>Based on the principle of indemnity.</li> </ul>	<ul style="list-style-type: none"> <li>Based on the principle of security/certainty.</li> </ul>
<ul style="list-style-type: none"> <li>The insured transfers the cost of potential loss to the insurer at a premium.</li> </ul>	<ul style="list-style-type: none"> <li>The insurer undertakes to pay an agreed sum of money after a certain period has expired/on the death of the insured person, whichever occurred first.</li> </ul>
<ul style="list-style-type: none"> <li>It covers a specified event that may occur.</li> </ul>	<ul style="list-style-type: none"> <li>Specified event is a certainty, but the time of the event is uncertain.</li> </ul>
<ul style="list-style-type: none"> <li>Applicable to short-term insurance.</li> </ul>	<ul style="list-style-type: none"> <li>Applicable to long-term insurance.</li> </ul>
Examples	Examples
<ul style="list-style-type: none"> <li>Property insurance</li> <li>Cash in transit</li> <li>Theft</li> <li>Burglary</li> <li>Fire</li> </ul>	<ul style="list-style-type: none"> <li>Life insurance</li> <li>Endowment policy</li> <li>Retirement annuities</li> </ul>

### Tip

Ensure that you can differentiate between insurance and assurance. Insurance is a term that describes short term insurance agreements. Whereas, assurance refers to long term insurance agreements. Know the difference.

### QR CODE

Insurance and assurance.



[https://www.youtube.com/watch?v=U7M1Hes88io&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=U7M1Hes88io&ab_channel=LisaAkerman)

### QR CODE

Short-term insurance and Long-term insurance.



[https://www.youtube.com/watch?v=gT7BLNv1EQI&ab\\_channel=TheInsuranceGuru](https://www.youtube.com/watch?v=gT7BLNv1EQI&ab_channel=TheInsuranceGuru)

## Short-term and long-term insurance

The insured has the option of taking out cover against risk in the short term or the long term. The nature of the risk against which insurance/assurance is required will determine the period of the insurance. Short-term insurance will be required for an event that may or may not occur. Long-term insurance will be required for an event that will occur on a specified date or the death of the insured.

The table below sets out examples of short-term insurance and long-term insurance.

Short-term insurance	Long-term insurance
<ul style="list-style-type: none"> <li>Property insurance</li> <li>Money in transit</li> <li>Theft</li> <li>Burglary</li> <li>Fire</li> </ul>	<ul style="list-style-type: none"> <li>Endowment policy</li> <li>Life cover policy/Life insurance</li> <li>Retirement annuity/Pension fund/Provident fund</li> <li>Funeral insurance</li> <li>Health insurance/Medical insurance</li> </ul>

**• 8 | Activity 10.1 Classwork/Homework****QUESTION 1**

**1.1** Complete the following statements by using the words in the list below. Write only the word(s) next to the question number (1.1.1 – 1.1.5) in your notebook.

average clause ; under-insured ; assurance

short-term ; reinstatement ; premium ; over-insured

long-term ; insured value clause ; excess

**1.1.1** The insurer will apply the ... clause when assets are insured for less than their market value.

**1.1.2** The insured will not receive a cash payment more than the value of the insured item. This is known as ...

**1.1.3** Cover taken out for risks that may or may not occur is called ... insurance.

**1.1.4** An insured will be ... should he/she insure his/her assets for less than its market value.

**1.1.5** The insured is responsible for paying a fixed amount, called an/a ... when submitting a claim for losses/damages incurred. (5 × 2) (10)

## PRINCIPLES

**Tip**

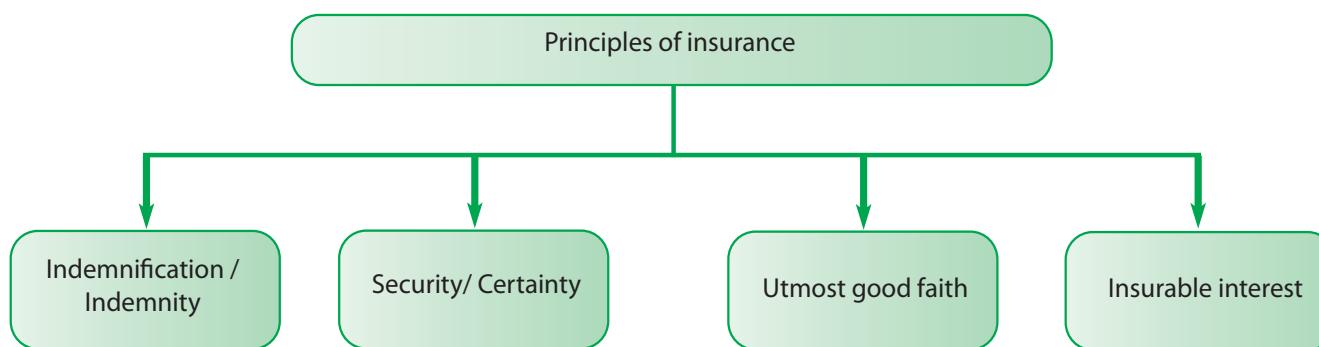
You must be able to identify these principles of insurance from given scenarios/statements.

## Unit 10.2 The principles of insurance

As we learned in Unit 10.1, insurance is a contract between an insured and an insurer. The insured agrees to pay a specified amount of money to the insurer. The insurer agrees to bear the risk on behalf of the insured in the event of a claim should a loss/damages/event occurs.

It is therefore important that certain principles must be adhered to by both parties to ensure the validity of the contract. Breach of the principles could invalidate any claims that may arise should losses/damages and specified events occur.

The illustration below shows the four principles of insurance.



Let's look at each one of them in more detail.

## Indemnification/Indemnity

- Usually applies to short term insurance, as the insured is compensated for specified/proven harm/loss.
- Insurer agrees to compensate the insured for damages/losses specified in the insurance contract, in return for premiums paid by the insured to the insurer.
- Protects the insured against the specified event that may occur.
- Pay-outs from insurance companies/insurer will only be made; if there is proof that the specified event took place/if the insured can prove the amount of the loss/ damage.
- The amount of indemnification/compensation is limited to the amount of provable loss/damage, even if the amount in the policy/insurance contract is higher.
- The insured must be placed in the same position as before the occurrence of the loss/damage./The insured may not profit from insurance.

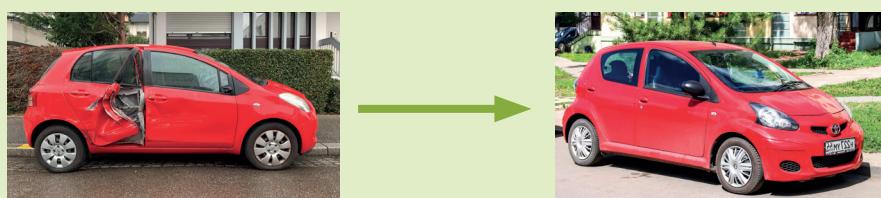
### QR CODE

Principles of insurance.



[https://www.youtube.com/watch?v=iKx8HCSTZa4&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=iKx8HCSTZa4&ab_channel=LisaAkerman)

The diagram below depicts the principle of indemnification



The insured is placed in the same position as before the damage/loss/accident based on the payments of monthly premiums. The insured therefore does not profit from insurance and is placed in the same financial position.

## Security/Certainty

- Applies to long-term insurance where the insurer undertakes to pay out an agreed upon amount in the event of loss of life.
- A predetermined amount will be paid out when the insured reaches a pre-determined age/or gets injured due to a predetermined event.
- Aims to provide financial security to the insured at retirement/the dependents of the deceased.



## Utmost good faith

- Insured has to be honest in supplying details when entering in an insurance contract.
- Both parties/insurer and insured must disclose all relevant facts.
- Insured must disclose everything that may affect the extent of the risk.
- Details/Information supplied when claiming should be accurate/true.

Honesty



Disclose all relevant facts

 Take note

Do not confuse insurable interest with insurable risk.



## QR CODE

Average clause calculations.



[https://www.youtube.com/watch?v=0yUqOKsGJxk&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=0yUqOKsGJxk&ab_channel=LisaAkerman)

## Insurable interest

- Insured must prove that he/she will suffer a financial loss if the insured object is damaged/lost/ceases to exist.
- An insurable interest must be expressed in financial terms.
- Insured must have a legal relationship with the insured object in the contract.

 Activity 10.2

## Classwork/Homework

## QUESTION 1

Read the scenario below and answer the questions that follow:

**FOOD LOVERS CENTRE (FLC)**

The owner of Food Lovers Centre insured his car for R600 000 while the market value of the car was R800 000. The owner of the car was involved in a car accident and damages of R100 000 was incurred by the car owner.

- 1.1 Name the insurance clause that applies to FLC in the scenario above. (2)
- 1.2 Calculate the amount that FLC should receive as compensation from the insurer. Show all working. (4) [6]

## Unit 10.3 Advantages/Importance of insurance for businesses and insurable risks

Businesses are exposed to many risks during their business operations. To protect the business against these risks they will pay the insurer a premium in return for taking over their risks. The insured must however bear in mind that the insurer will take over only certain risks from the insured.

Below find, the advantages/importance of insurance for the business:

### Advantages/Importance of insurance for businesses

- Transfers the risk from the business/insured to an insurance company/insurer.
- Transfer of risk is subject to the terms and conditions of the insurance contract.
- Protects businesses against dishonest employees.
- Protects businesses against losses due to death of a debtor.
- Protects the business against theft/loss of stock and/or damages caused by natural disasters such as floods and storm damage.
- Protects businesses from claims made by members of the public for damages that the business is responsible for.
- Businesses will be compensated for insurable losses, for example, destruction of property through fire.
- Businesses assets, for example, vehicles/equipment/buildings need to be insured against damage and/or theft.

- Businesses are protected against the loss of earnings, for example, strikes by employees which result in losses worth millions.
- Life insurance can be taken on the life of partners in a partnership to prevent unexpected loss of capital.
- Should the services of key personnel be lost due to accidents/death, the proceeds of an insurance policy can be paid out to the business/beneficiaries.
- Replacement costs for damaged machinery/equipment are very high, therefore insurance can reduce/cover such costs.

## Insurable versus non-insurable risk

The ultimate objective of an insurance company is to make a profit for shareholders of the company. Because of the nature of certain risks, insurance companies are not willing to insure all risks.

Insurance companies consider some risks riskier than other risks. Risks are generally classified as insurable risks and non-insurable risks.

Let's look at the explanation of the meaning of the terms insurable risk and non-insurable risks.

### Terms

#### Insurable risks

#### Meaning

- These risks are insured by insurance companies.
- Insurance companies decide on the likelihood of an event and then decide if they want to insure the risk.



- Example of insurable risks include:
  - » theft
  - » fidelity insurance
  - » burglary
  - » money in transit
  - » fire
  - » natural disaster/storms/wind/rain/hail
  - » damage to/loss of assets/vehicles/equipment/buildings/premises
  - » injuries on premises.

### QR CODE

Insurable risks and non-insurable risks.



[https://www.youtube.com/watch?v=MrA4L\\_YJ-eA&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=MrA4L_YJ-eA&ab_channel=LisaAkerman)

**Tip**

Certain risks are non-insurable which means that insurance companies do not cover non-insurable risks.

**Terms****Non-insurable risks****Meaning**

- These risks are not insured by insurance companies as insurance cost/risks are too high/remains the responsibility of the business.
- The insurance company cannot calculate the profitability of the risk and therefore they cannot work out a premium that the business must pay.



- Examples of non-insurable risks include:
  - » losses/damages incurred as a result of a war
  - » fluctuations in fashion and trends
  - » losses/damages incurred as a result of illegal marketing activities
  - » new inventions were created by the improvement in technology.

## Compulsory insurance

### The meaning of compulsory insurance

Compulsory insurance refers to insurance that individuals/businesses are compelled to take out. Individuals/Businesses are legally obliged to insure against certain risks that may or may not occur.

### Differences between compulsory and non-compulsory insurance

A distinct difference exists between compulsory insurance and non-compulsory insurance. Individuals/Businesses must be clear about these differences and the legal implications of the two types of insurance.

Let's look at the differences between compulsory and non-compulsory insurance.

### Take note

Do not confuse compulsory insurance with examples of long-term insurance.

Compulsory insurance	Non-compulsory insurance
<ul style="list-style-type: none"> <li>Businesses/Individuals are compelled by law to insure certain types of risks.</li> <li>The types of risks are regulated by the state.</li> <li>Individuals/Businesses are required to pay levies into a centralised fund and damages/losses incurred are paid from the fund.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses/Individuals voluntary insure certain types of risk.</li> <li>The state does not regulate these types of risk.</li> <li>The insured are required to pay premiums to the insurer as cover against stipulated risks.</li> </ul>
<b>Examples</b>	<b>Examples</b>
<ul style="list-style-type: none"> <li>Unemployment Insurance Fund [UIF]</li> <li>Road Accident Fund [RAF]</li> <li>Compensation for Occupational Injuries and Diseases Act [COIDA]</li> </ul>	<ul style="list-style-type: none"> <li>short term insurance</li> <li>long term insurance</li> </ul>

## Types of compulsory insurance

Individuals/Businesses are compelled by law to insure against damages/losses/death for the following types of compulsory insurance.

- Unemployment Insurance Fund (UIF)
- Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)
- Compensation Fund/Compensation for Occupational Injuries and Diseases/COIDA

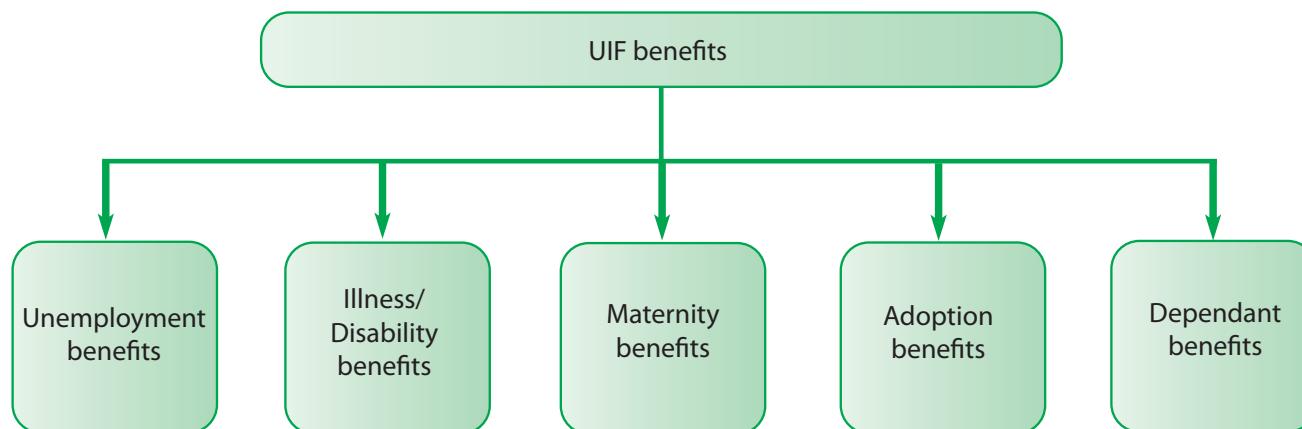


### Unemployment Insurance Fund (UIF)

- The Unemployment Insurance Fund (UIF) was established to assist employees with financial aid should they become unemployed due to termination of the employment contract by the employer.
- The UIF provided financial assistance for a limited period to the dependants of a deceased employee who was registered with the UIF.
- The employer is required to register their employees with the UIF and to pay the levy of 2% of the employee's salary/remuneration to SARS every month.
- The employee contributes 1% of his/her salary/remuneration towards the UIF.
- The employer contributes an additional 1% of the employee's salary/remuneration towards the UIF fund.
- The additional contributions of 1% by the employer ensures that the payment to the employee increases, should he/she become unemployed.
- Employees must work at least 24 hours a month before they are required to contribute towards the UIF fund.
- Unemployed employees must register with the Department of Labour, and all valid claims will be processed by the UIF.
- Unemployed workers may not claim from the UIF if they resign or gets dismissed from their jobs.

## The benefits of the UIF

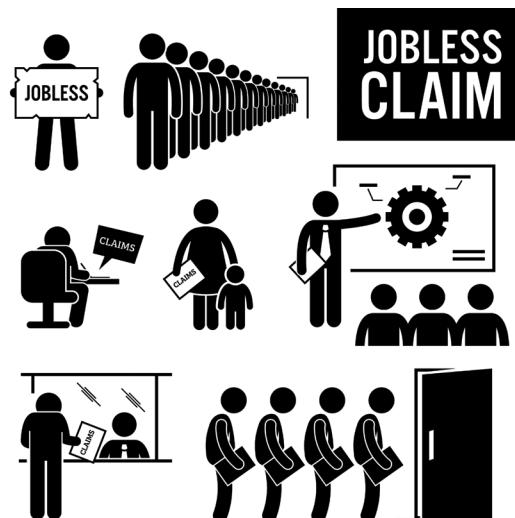
Employees who are registered with the UIF are entitled to claim for stipulated benefits. The following are the benefits that unemployed employees are eligible to claim:



Let's look at each one of these UIF benefits in more detail.

### Unemployment benefits

- If the employer terminates the service of an employee, the employee may apply to the UIF for benefits.
- The benefits are only available to unemployed employees who have been contributing to the UIF while they were employed.
- The unemployed employee may not claim for UIF benefits if he/she has resigned, been suspended, or absconded from work.
- They may however claim for benefits from the UIF if the Commission for Conciliation, Mediation and Arbitration (CCMA) considers their resignation as constructive dismissal.
- To qualify for benefits, unemployed employees must register with the Department of Labour as a work seeker.
- The unemployed employee must apply for the UIF benefits as soon as he/she becomes unemployed, or within six months of the termination of his/her employment.
- The UIF Act has also been amended and extends to parents who do not qualify for maternity leave, including fathers.
- The UIF Act pays unemployment insurance benefits up to 10 days which is in line with the BCEA.



### Temporary Employer/Employee Relief Scheme (TERS)

- All employers and employees who are registered with the Department of Employment & Labour can apply for this relief.
- The scheme applies to employers who cannot pay their workers and employees who will not get paid during the period of the lockdown.
- This also applies to employees who have been forced to take leave as a result of the coronavirus outbreak.

### Illness/Disability benefits

- An employee may apply for illness/disability benefits if he/she is an employed contributor to the UIF and is unable to perform his/her duties because of illness/disability.
- To qualify for the benefits, the employee must receive less than his/her normal wages while he/she is on sick leave.



- Contributing employees are entitled to claim the benefit if he/she is unable to work for more than 14 days without receiving a salary/part of a salary.
- Employees may not claim illness/disability benefits if they refuse medical treatment.

### Maternity benefits

- An employed female contributor to the UIF may apply for maternity benefits when she goes on maternity leave.
- To qualify for the benefits, she must be receiving less than her normal wages while she is on maternity leave.
- An unemployed employee is entitled to receive these benefits for up to four consecutive months.
- Should a contributing pregnant employee have a miscarriage, she may claim benefits for up to six weeks.



### Adoption benefits

- A contributing employer may claim adoption benefits if he/she has legally adopted a child younger than two.
- To qualify for the benefit, the contributing employer must apply for a leave of absence/stop working to look after the adopted child.
- To qualify for the benefits, he/she must be receiving less than his/her normal wages while he/she is on paternity/maternity leave.
- If both parents of an adopted child are contributing employees, only one parent qualifies for this benefit.

**Dependant's benefits**

- The dependants of a contributor to the UIF may claim this benefit following that person's death.
- The following people are considered dependants according to the UIF rules: spouse/life partner/guardian/child of the deceased contributor.
- The dependants must apply within six months of the death of the contributing employer.
- Dependent children under the age of 21 years are entitled to benefits if there is no surviving spouse or a life partner.

**Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)**

- The RAF/RABS is responsible for providing appropriate cover to all road users within the borders of South Africa.
- The Fund compensates a person/people in accordance with the RAF/RABS Act for loss or damage wrongfully caused by driving a motor vehicle.
- The RAF/RABS provides a social security safety net to the country and economy by making available compulsory social insurance cover to all South African road users.
- The RAF/RABS indemnifies the wrongdoer from liability to any victim of a car accident.
- Contributions to the RAF/RABS are collected by way of a levy on fuel used for road transportation.
- The cover extends to all members of society including, pedestrians, owners, and drivers of motor vehicles, as well as their passengers.
- The social insurance cover, however, does not extend to drivers of motor vehicles that are found to be negligent.
- In the event of an accident, the RAF/RABS pays the medical and related services costs required to restore accident victims to health.
- Accident victims/their families are compensated for the loss of income as a result of the accident.
- Compensation is also paid by RAF/RABS for pain and suffering/loss of amenities of life/disability and disfigurement/funeral costs to families in circumstances where the victim of the accident sustains fatal injuries.
- The amount that the victim of an accident may claim for loss of income is limited by legislation.

**Take note**

- Do not refer to RAF as the third party.
- Employees receive medical assistance, provided there is no other party/medical fund involved.
- Keep abreast of the changes in legislation from time to time, for example, the RAF is changing to the RABS (Road Accident Beneficiary Scheme).

### Compensation Fund/Compensation for Occupational Injuries and Diseases Act (COIDA)

- The Compensation for Occupational Injuries and Diseases Act covers occupational diseases and injuries sustained by employees during the performance of their official duties.
- COIDA makes provision for the compensation of employees who sustain injuries/diseases at work.
- All employers are compelled to register with the Compensation Fund so that employees may be compensated for accidents and diseases sustained in the workplace.
- Employers are required to report all accidents within seven days and occupational diseases within fourteen days to the Compensation Commissioner.
- The levy paid to the Compensation Fund is the responsibility of the employer.
- No contributions from the employee are required towards the Compensation Fund.
- Should an employee die as a result of a work-related accident/disease, his/her dependant(s) will receive financial support.

**Tip**

Identify types of compulsory insurance from given scenarios/statements.

### Activity 10.3 Classwork/Homework

#### QUESTION 1: BUSINESS VENTURES (INVESTMENT: INSURANCE)

Businesses have the option of taking out insurance and assurance. Most businesses, however, realise the importance of having insurance. Businesses are also compelled by law to contribute to compulsory insurance. The Unemployment Insurance Fund offers financial benefits to contributing employees.

Write an essay on insurance in which you include the following aspects.

- Outline the advantages of insurance for businesses.
- Explain the differences between *insurance* and *assurance*.
- Discuss the following types of compulsory insurance:
  - » Road Accident Fund / Road Accident Benefit Scheme
  - » Compensation Fund/Compensation for Occupational Injuries and Diseases Act
- Advise employees on the unemployment benefits paid out by the UIF. [40]



#### QR CODE

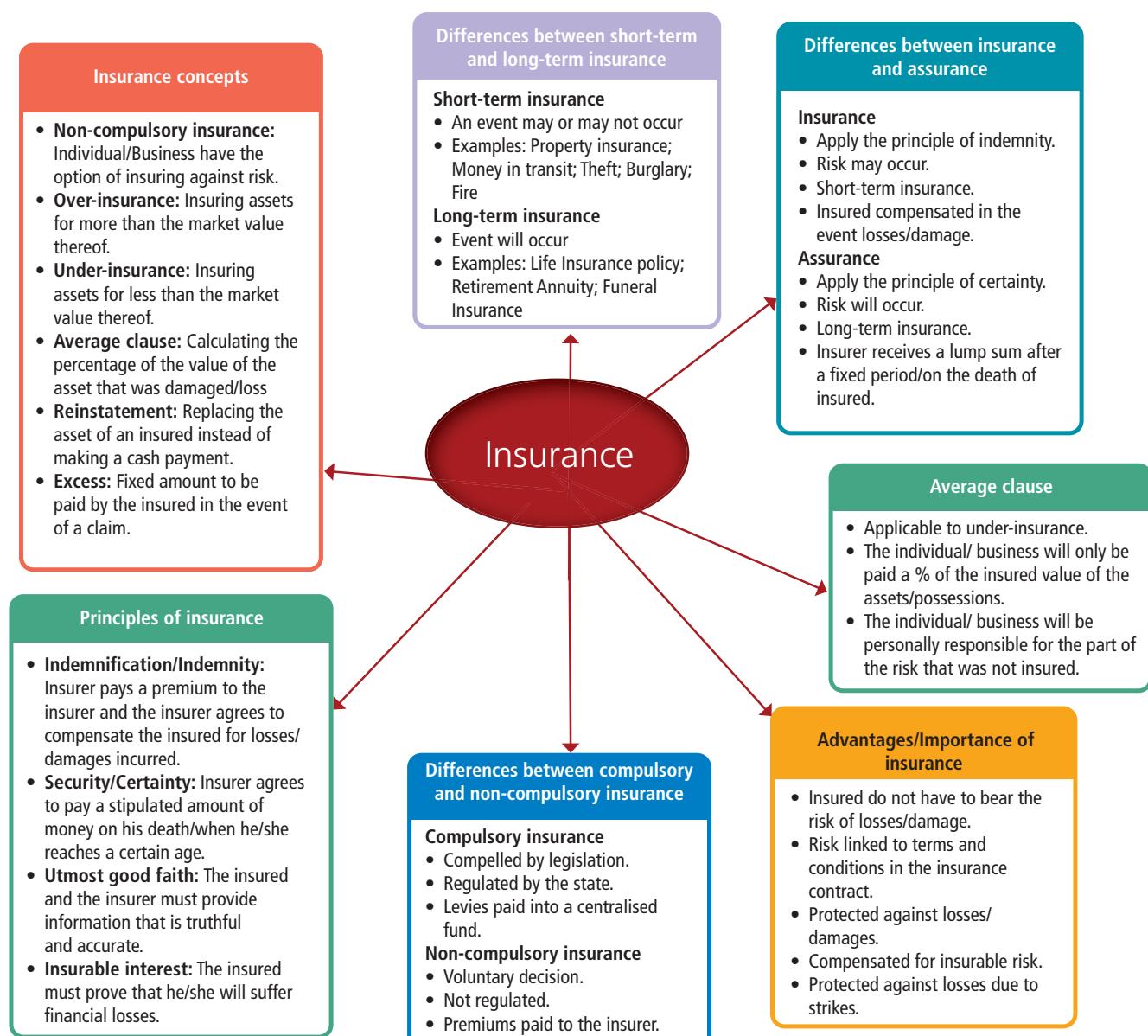
Insurance concepts:  
Follow this link to test your knowledge on insurance concepts.



<https://forms.gle/UXp7jW7AEyR7jfWd9>

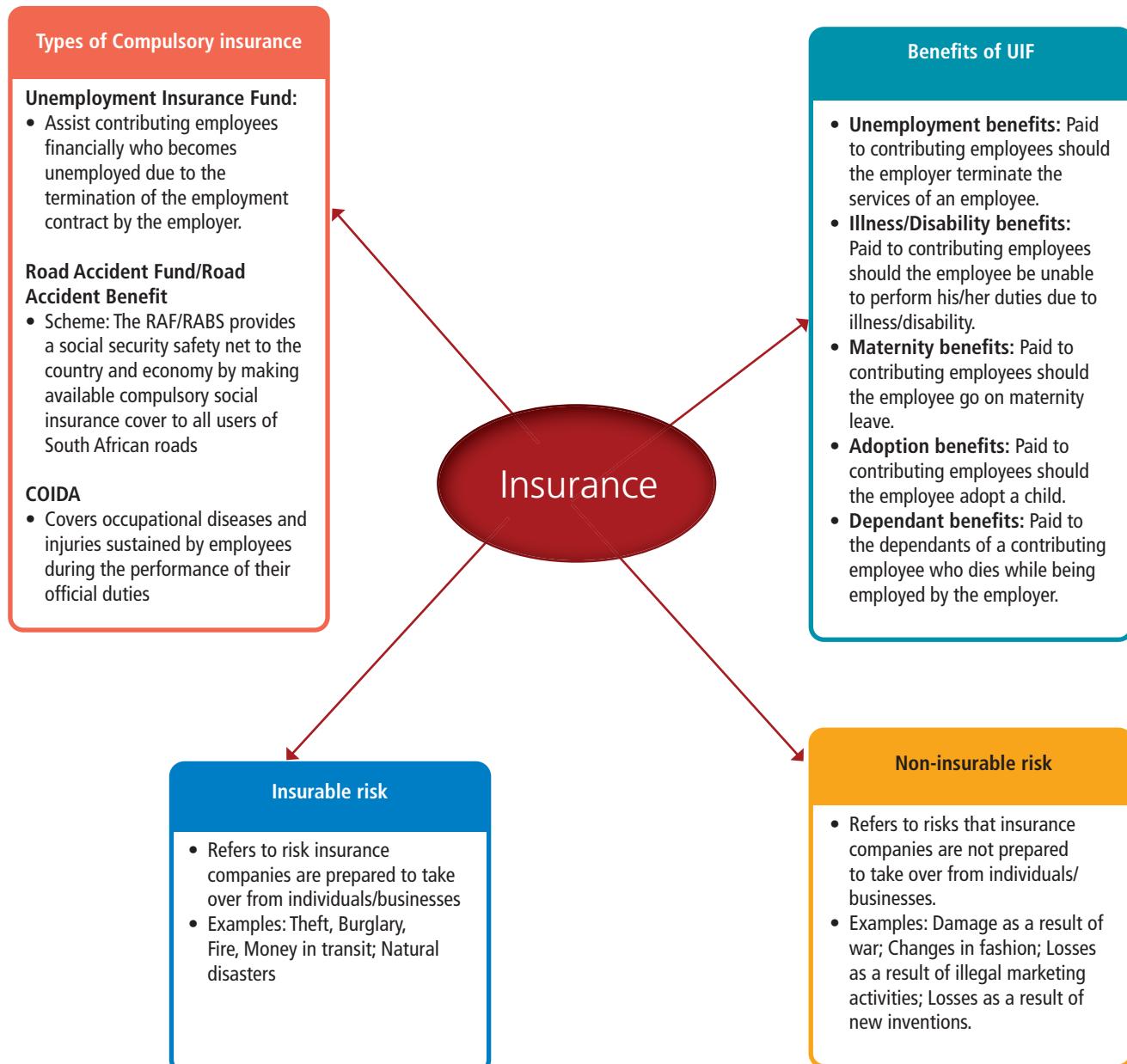
## Mind map: Topic 10 – Investment: Insurance

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



### Take note

The mind map is a summary of the topic. Please consult the content of this topic for full explanations



### 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 – 1.1.5) in your notebook, for example, 1.1.6 D.
- 1.1.1 New Horizon Insurance applied the ... clause in the insurance contract when it decided to make a cash payment to the insured, instead of replacing the vehicle that was stolen.  
A average  
B subrogation  
C appeal  
D reinstatement
- 1.1.2 The principle of ... requires the insured to prove that a financial loss will be suffered if an asset is damaged.  
A certainty  
B insurable interest  
C excess  
D initiation
- 1.1.3 Risks that are regulated by the state forms part of ... insurance.  
A government  
B compulsory  
C non-compulsory  
D social
- 1.1.4 New Generation Pty (Ltd) must pay 2% of its salary/bill of UIF contributing employees to the ...  
A Department of Labour  
B SARB  
C SARS  
D Finance Department
- 1.1.5 City Window Cleaners must report the injury of an employee to the ... Commissioner within seven days.  
A Labour  
B Compensation  
C UIF  
D RAB

(5 × 2) (10)

#### QUESTION 2

- 2.1. List FIVE types of benefits paid out by the Unemployment Insurance Fund. (5)
- 2.2. Distinguish between *insurance* and *assurance*. (8)
- 2.3 Read the scenario below and answer the questions that follow.

#### EXPRESS COURIERS (EC)

Express Couriers delivers online products throughout the country. Peter, an employee of EC, was recently involved in a car accident and was hospitalised for four weeks. Peter submitted a claim for the loss of income.

- 2.3.1 Identify the type of compulsory insurance applicable to Peter. Motivate your answer by quoting from the scenario above. (3)
- 2.3.2 Explain TWO other types of compulsory insurance. (6)
- 2.4. Advise businesses on the differences between *over-insurance* and *under-insurance*. (8)

[30]

## Consolidation

### QUESTION 3: BUSINESS VENTURES (INVESTMENT: INSURANCE)

Businesses are required to take out cover against certain risks. Businesses must also be aware of the fact that certain risks can be insured against, whilst others cannot. The contract between the insured and the insurer must be based on certain principles. Insurance offers many advantages to businesses.

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

- Outline the differences between *insurable risks* and *non-insurable risks*.
- Explain the meaning of compulsory insurance.
- Discuss the following principles of insurance:
  - » Indemnification
  - » Utmost good faith
- Advise businesses on the benefits of insurance.

[40]

## TERM 2

**11**

# Team performance assessment and conflict management

**TOPIC OVERVIEW**

- **Unit 11.1** Criteria for successful team performance
- **Unit 11.2** Stages of team development
- **Unit 11.3** Conflict resolution techniques/steps

**Learning objectives**

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

- ❖ outline/explain/discuss the following criteria for successful team performance:
  - interpersonal attitudes and behaviour
  - shared values
  - communication
  - collaboration
- ❖ identify the above-mentioned criteria from given scenarios/statements
- ❖ outline/explain/discuss the characteristics of successful team performance
- ❖ identify/name the following stages of team development from given scenarios/statements:
  - forming
  - storming
  - norming
  - performing
  - adjourning/mourning
- ❖ explain/describe/discuss the above-mentioned stages of team development
- ❖ describe/explain/elaborate on the importance of team dynamic theories in improving team performance
- ❖ outline/explain/describe/discuss causes of conflict in the workplace
- ❖ identify causes of conflict from given scenarios/statements
- ❖ explain/advise businesses on how they should handle conflict in the workplace (conflict resolution steps/techniques)
- ❖ differentiate between grievance and conflict
- ❖ explain/discuss the correct procedures to deal with grievances in the workplace
- ❖ identify/name the following difficult people/personalities from given scenarios/statements:
  - complainer
  - indecisive



## Learning objectives

- over-agree
- negativity
- expert
- quiet
- aggressive
- ❖ suggest/recommend different ways in which businesses can deal with the above-mentioned difficult people/personalities in the workplace
- ❖ explain/suggest different ways in which businesses can deal with difficult employees in the workplace.



## Key concepts

- **Conflict:** disagreement between two or more employees.
- **Task:** work that needs to be completed.
- **Teamwork:** the willingness of a group of people to work together in pursuit of a common goal.
- **Team dynamics:** emotional forces that influence the behaviour of a team and the way the team achieves its goals.
- **Forming:** stage of development during which team members meet one another.
- **Storming:** stage of development during which team members oppose one another.
- **Norming:** stage of development during which team members work in harmony with one another.
- **Adjourning:** stage of development in which the project has ended.
- **Grievance:** complaint by an employee against the employer or a fellow employee.
- **Co-operation/collaboration:** the process of working together to achieve similar goals.
- **Mutual:** having a similar reaction towards one another.
- **Commitment:** dedication to realising the team goals.
- **Accountability:** being answerable to others for decisions taken.
- **Interpersonal attitudes:** attitude towards one another in group.
- **Interpersonal behaviour:** the way people react towards each other in a group.

## Introduction

In Grade 10 we learned about the concept of teamwork and the advantages of teamwork for a business. We also learned about the factors that influence team relationships and were required to recommend factors that could influence team relationships. The criteria for successful team performance were also outlined. In Grade 11 we provided a detailed analysis of the stages of team development and we were also introduced to the team dynamics theories.

In Grade 12 we will cover the following sub-topics:

- team performance assessment
- conflict resolution
- dealing with grievance and difficult people/personalities.

**Tip**

The criteria for successful teams serve as a guideline on how teams should interact with each other when working on a project.



## Unit 11.1 Criteria for successful team performance

A team refers to a group of people working together to achieve a common goal. The criteria for successful team performance are the individual standards by which a team is going to be judged to determine whether the team achieved the goals it has set for itself.

In this unit we will focus on the following criteria:

### **A New words**

**passionate** showing strong feelings

**timeous** in time

### Interpersonal attitudes and behaviour

- Members have a positive attitude of support and motivation towards each other.
- Good/Sound interpersonal relationships will ensure job satisfaction/increase productivity of the team.
- Team members work together **passionately** to achieve a common goal.
- Team leader acknowledges/gives credit to members for positive contributions.

### Shared values/Mutual trust and support

- Team members respect/trust one another despite differences that may exist among the team.
- The experiences/knowledge/skills of other team members are acknowledged/respected.
- Perform team tasks with integrity/pursuing responsibility/meeting team deadlines with necessary commitment to team work.

### Communication

- The role/s of every team member is set out in the procedures that the team must adhere to.
- Good communication between team members may result in quick decisions
- Quality feedback improves the morale of the team.
- Honest discussions lead to effective solutions of problems.



### QR CODE

Criteria for successful team performance.



[https://www.youtube.com/watch?v=M0IXHp\\_Kb3I&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=M0IXHp_Kb3I&ab_channel=LisaAkerman)

## Co-operation/Collaboration

- Each team member knows exactly what they are expected to do because the goals are clear/realistic.
- Team members are willing to work with one another in pursuit of the goals of the team.
- Cooperate with management to achieve team/business objectives.
- All members take part in decision making..

### A New words

**traits** distinguishing characteristics

### QR CODE

Click on this link to assess how well you have understood this content.



<https://forms.gle/GmcWtySnezeTMxQz8>

## Characteristics of successful team performance

The most successful teams are not always the teams with the best talent/most skills. Successful teams are often built around individuals, whose joint contribution to the goals of the team, enables the team to be successful. A successful team has certain **traits** that set them apart from others.

- Successful teams share a common goal as team members are part of the process of setting goals for the group.
- There is a climate of respect/trust and honesty.
- Share a set of team values and implement group decisions.
- Successful teams have sound intra-team relations.
- Teams value the contributions of individual members and reach consensus on differences.
- Team members enjoy open communication and deal with items of conflict immediately.
- Teams are accountable and members know the time frame for achieving their goals.
- Teams pay attention to the needs of the individual team members.

### Activity 11.1 Homework/Classwork

#### QUESTION 1

**1.1** Identify the criteria for successful team performance applied by Sanki Engineering in EACH statement below:

- 1.1.1** Team members meet deadlines with a commitment to reaching the team goals.
  - 1.1.2** All the team members participate in decision-making.
  - 1.1.3** They have open and honest discussions leading to effective solutions to problems.
  - 1.1.4** Team members have a positive attitude of support and motivation towards other members of their team.
- (8)

**1.2** Explain other features of EACH criterion for successful team performance identified in QUESTIONS 1.1.1 - 1.1.4.

(8)  
[16]

#### Tip

Do not confuse the characteristics of successful teams with the stages of team performance. Some of these characteristics are embedded in some stages of team development.

#### Tip

The characteristics of a successful team must not be confused with the criteria for a successful team.

## Unit 11.2 Stages of team development

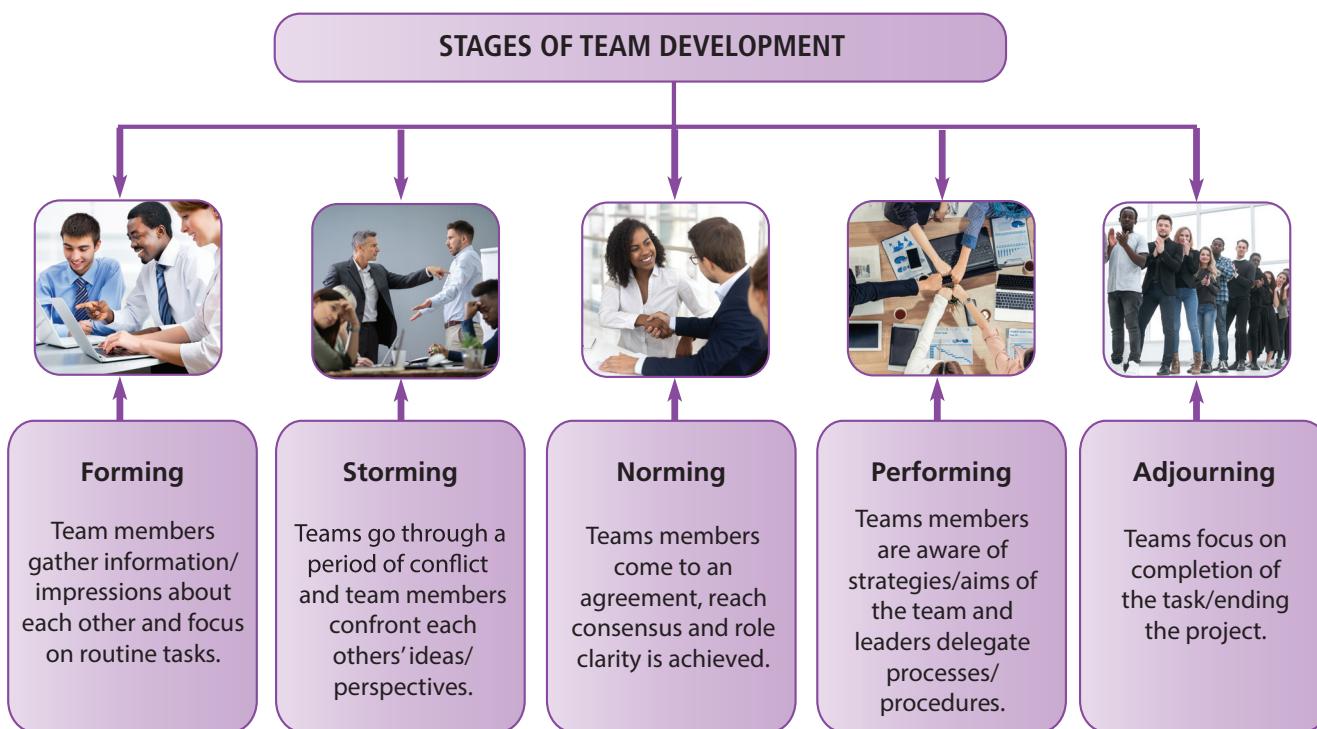
### A New words

**pre-conceived** already formed an opinion

Developing a team into a successful unit takes time and energy. Individuals who join the team have their **pre-conceived** ideas about achieving team goals. The ideas of the individuals must be merged in order to develop a common goal.

All teams go through different stages of team development before they work together towards a common goal.

Team development is a process that contains five different stages. These are shown in the illustration below.



### Forming

- This is the first stage of team development in which team members are introduced to one another.
- Team members observe one another's behaviour and are polite to each other.
- Team members shows mutual respect, and they feel comfortable.
- This stage is characterised by focussing on the routine and administrative details of the goals of the team.

### Storming

- Conflict occurs among team member after the forming stage is concluded.
- Team members with different ideas exchange these ideas, which leads to conflict.
- Team members oppose the ideas of others when they do not **correspond** with their ideas.
- There may be power struggles for the position of team leader.
- At times the storming stage is often resolved quickly, but if it is not resolved the team won't move further than this stage.

#### Tip

Teams can easily overcome this stage if they remind themselves of the criteria for successful teams.



## Norming/Reconciliation/Settling

- The conflict during the storming stage must be resolved as soon as possible. This will allow the team to move to the norming stage.
- During this stage, team members **compromise** their ideas and accept that they need to work in harmony with one another.
- Team members come to an agreement and reach consensus.
- The duties and responsibilities of all the team members are set out and agreed to.
- The processes involved in achieving the goals are adhered to and team members appreciate the contributions of fellow team members.
- Individual team members collectively work towards the goals of the team.
- Any conflict that happens during this stage is addressed in a professional/collegial manner.

## Performing/Working as a team towards a goal

- Team members are aware of strategies and aims of the team.
- The leader trusts the team and avoids interfering in the operations of the team.
- Processes and structures are in place to ensure the smooth execution of the job.
- Leaders delegate and oversee the processes and procedures.
- All team members demonstrate competence/can work on their own and provide valuable input in decision making.

## Adjourning/Mourning

- The focus is on the **completion** of the task/**ending** the project.
- Some team members adjust poorly to the team breaking up because they will find it difficult to work on their own again.
- All tasks must be completed before the team finally breaks up and individual members go their separate ways.

## The importance of team dynamic theories in improving team performance

In Grade 11 you were introduced to the different team dynamic theories. Team dynamic theories are used to explain the effectiveness and importance of teamwork. Various team dynamic theories were formulated about successful teams. Businesses choose individual team dynamic theories or a combination thereof, to get the best performance from their teams.

Team dynamics may be used to improve team performance in the following ways:

- Team dynamic theories are used to explain the effectiveness and importance of teamwork.
- Tasks are allocated to team members consistent with the role the team member performs within the team.
- The skills/experiences/talent of the team member determines the role that will be allocated to him/her.
- Individuals are given the chance to perform optimally within the team, given the roles allocated to them.
- Individuals within the team with similar skills/talents/experience may compete for certain responsibilities/duties.

### QR CODE

Stages of team development.



[https://www.youtube.com/watch?v=qtpY9zwuzFM&ab\\_channel=Potential](https://www.youtube.com/watch?v=qtpY9zwuzFM&ab_channel=Potential)



### Tip

You should be able to identify the stages of team development from given scenarios/statements

**OR** Provide a detailed explanation of EACH stage of team development.

- Team dynamic theories allow team leaders to know the personality type of individuals and enable them to allocate tasks more effectively.
- Disagreements amongst team members may be reduced when team members specialise in their roles/tasks.

### A New words

**escalation** become more serious

**engage** actively working with others

## Causes of conflict

Conflict refers to disagreements between two or more team members. Whenever teams come together for a specific amount of time, conflict will arise. Conflict is a normal and natural part of any workplace. When it occurs, there is a tendency for morale to be lowered, an increase in absenteeism and decreased productivity. The conflict must be addressed immediately to avoid **escalation** thereof.

## Causes of conflict in the workplace

- Employees from different backgrounds do not always agree on the path they need to follow in pursuit of the organisation's goals.
- Not adhering to the rules/procedures of the organisation may lead to conflict if the guilty party/ies is confronted about the matter.
- Lack of cooperation could delay the production process and cause frustration amongst colleagues.
- The different personalities of employees come to the fore/emerge when employees **engage** with each other.
- Lack of recognition by management of workers who perform additional duties/consistently perform at high levels.
- Unrealistic deadlines may increase the stress levels of certain employees.
- Unfair workloads may cause some employees to feel marginalised/resentful.
- Lack of clear communication may cause uncertainty amongst employees.

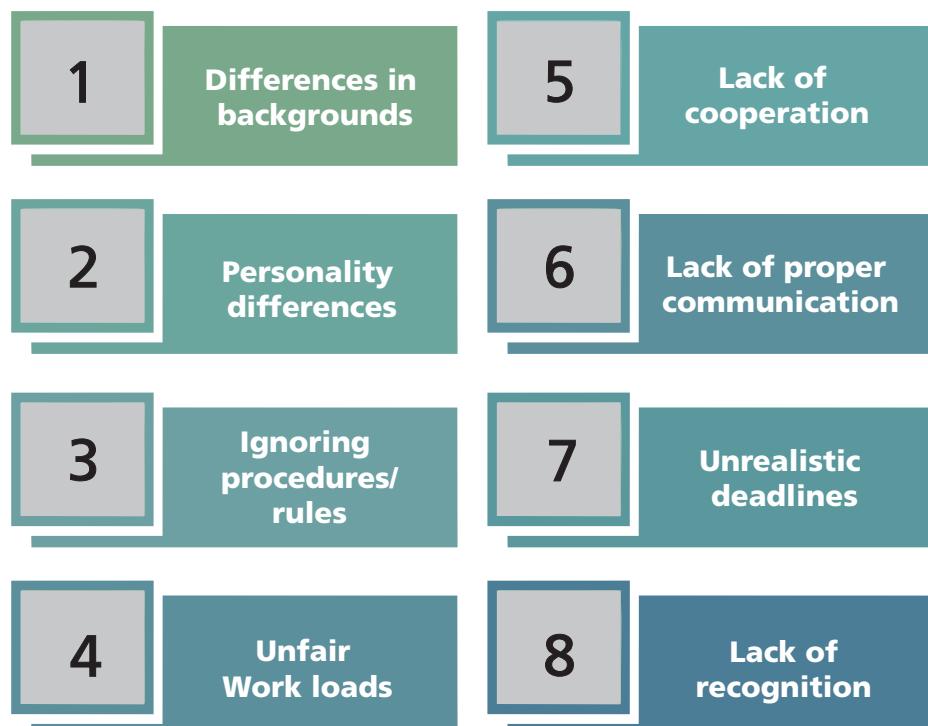
### Tip

You must be able to identify the causes of conflict in the workplace from given statements/scenarios.

You must also be able to write full sentences on the causes of conflict in the workplace



The illustration below provides a summary on the causes of conflict.



**• 8 | Activity 11.2 Classwork/Homework****QUESTION 1**

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

**WAVECREST FINANCIAL SPECIALISTS (WFS)**

Wavecrest Financial Specialists successfully recruited a group of accountants to assist the local government with its financial accounting. Team members are aware of strategies and aims of the team.

- 1.1.1** Identify the stage of team development applicable to WFS. Motivate your answer by quoting from the scenario above. (3)
  - 1.1.2** Explain TWO other stages of team development. (6)
  - 1.2** Advise businesses on the causes of conflict in the workplace. (6)
- [15]

**A New words**

**staff turnover** rate at which employees leave the company and get replaced by new employees

## Unit 11.3 Conflict resolution techniques/steps

Conflict resolution refers to a process where conflicting employees come together to **resolve** conflicting issues that exist amongst them. It is important for the business to deal immediately with conflict. Ignoring conflict between team members could lead to work disruption/project failure/high staff turnover. Certain steps/techniques could be used to ensure an amicable resolution of the conflict.

**Tip**

You are advised to follow the conflict resolution steps for better understanding, but they do not have to be presented in sequential order when responding to the question.

**Step 1**

Acknowledge that conflict exists.

**Step 4**

Explain the purpose of the meeting to the conflicting employees.

**Step 7**

Allow each employee to express his/her views.

**Step 2**

Determine the cause of the conflict.

**Step 5**

Invite conflicting employees to a joint meeting.

**Step 8**

Encourage conflicting employees to accept that their views are different.

**Step 3**

Invite conflicting employees to state their views separately.

**Step 6**

Arrange a time and place for conflicting employees to meet.

**Step 9**

Evaluate the views expressed and make an objective decision.

**Tip**

A grievance is lodged by ONE person and it is more formal than conflict, whereas conflict exists between two or more people.



## The differences between grievances and conflict

Distinct differences exist between the terms 'grievance' and 'conflict'. However, if both grievances and conflict exist in an organisation, it could potentially create an unpleasant working environment/unhappy employees. Grievances and/or conflict must be resolved swiftly before it escalates further.

Let's look at the differences between grievances and conflict.

GRIEVANCE	CONFFLICT
When an employee is unhappy/has a problem/complaint in the workplace.	Clash of opinions/ideas/view points in the workplace.
It is when an individual/group has a work-related issue.	Disagreement between two or more parties in the workplace.
Examples: Discrimination, unfair treatment, poor working conditions.	Examples: A lack of trust/miscommunication/personality clashes/different values.

**Did you know**

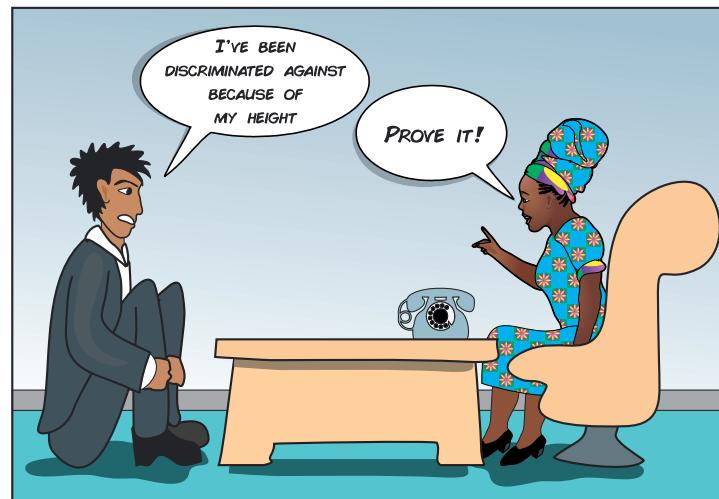
Of the total 63 360 hours of available productive time per year for Company A, 1 687 hours (2,7%) are spent on conflict resolution.

**New words**

**expeditently** completely something quickly

## Correct procedures to deal with grievances in the workplace

Any complaint by an employee against management/poor work conditions must be taken seriously and addressed immediately. The complainant must know that the issue/s raised will be addressed **expeditently**.

**Tip**

Ensure that you do not confuse the grievance procedure with conflict resolution techniques.



The following procedures may be followed to deal with grievances in the workplace:

- The complainant must verbally report the grievance to his/her supervisor.
- The supervisor must resolve the grievance within 3 – 5 working days.
- If the supervisor is unable to resolve the grievance, the complainant may take the grievance to the manager of the supervisor.
- The grievance forwarded to the manager of the supervisor must be in writing.
- The manager of the supervisor provides the complainant with a written reply in response to the written grievance.
- The manager must invite all parties to the grievance to a meeting.

- A record of the meeting must be recorded in the meeting's minutes and decisions made must be recorded on a formal grievance form.
- Should the employee not be satisfied with the outcome of the meeting, he/she could refer the matter to the highest level of management.
- Top management should arrange a meeting with all relevant parties concerned.
- Minutes of this meeting should be recorded, and the outcome must be recorded on a formal grievance form.
- Should the employee still not be satisfied, he/she may refer the matter to the CCMA who will make a final decision on the matter.
- The matter may also be referred to the Labour Court on appeal if the employee is not satisfied with the decision taken by the CCMA.

### Did you know

A total of 221 547 matters were referred to the CCMA in 2019/20 compared to the 193 732 referred in the 2018/19 financial year.

## Dealing with the SEVEN types of difficult people/personalities

The workforce of an organisation will **inevitably** consist of employees with different personalities. Employees with different personalities will respond differently to conditions/circumstances in the workplace. Supervisors/managers need to know the different types of personalities and have strategies in place to deal with each one.

Type of personality	Strategies to deal with difficult personalities
Complainer	<ul style="list-style-type: none"> <li>• Listen to the complaints but don't acknowledge them by nodding your head.</li> <li>• Interrupt the complainer after a while and proceed with strategies to deal with the issues raised.</li> </ul>
Indecisiveness	<ul style="list-style-type: none"> <li>• Suggest alternative approaches and guide the employee through the alternatives.</li> <li>• Highlight the importance of decision-making and the consequences of delaying thereof.</li> <li>• Assist the employee with the decisions and affirm the employee.</li> </ul>
Over-agree	<ul style="list-style-type: none"> <li>• Be firm with the employee and don't allow him/her to let them make promises that they cannot keep.</li> <li>• Monitor the progress of duties assigned to the employee.</li> </ul>
Negativity	<ul style="list-style-type: none"> <li>• Listen to the employee, but do not agree with him/her.</li> <li>• Allow the employee to express his/her views, but do not own their negativity.</li> </ul>
Expert	<ul style="list-style-type: none"> <li>• Listen to the employee but let him/her know that you are in control of the situation.</li> <li>• Let him/her know that you value their inputs, but that you'll also consider other alternatives.</li> <li>• <b>Refrain</b> from attacking their views, as this will lead to a confrontation with him/her.</li> </ul>

### New words

**inevitable** bound to happen  
**refrain** stop yourself from doing something

### Tip

You should be able to identify/name the different personalities from given scenarios/statements.

### QR CODE

Strategies to deal with different personality types in the workplace.



[https://www.youtube.com/watch?v=XkJuBoPyyM8&ab\\_channel=LisaAkerman](https://www.youtube.com/watch?v=XkJuBoPyyM8&ab_channel=LisaAkerman)

Type of personality	Strategies to deal with difficult personalities
Quiet	<ul style="list-style-type: none"> <li>Give the employee sufficient time to express his/her views on the issues.</li> <li>Do not use the delay in responding by the employee to express your views.</li> <li>Use open-ended questions to get a meaningful response from the employee.</li> <li>Affirm the employee by acknowledging the inputs provided.</li> </ul>
Aggressive	<ul style="list-style-type: none"> <li>Provide the employee with sufficient time to express himself/herself.</li> <li>Refrain from attacking their views, as this will lead to a confrontation with him/her.</li> <li>Protect other employees from being intimidated by the employee.</li> </ul>

<p><b>Expert</b></p>  <ul style="list-style-type: none"> <li>Listen to the employee, but let him/her know that you are in control of the situation.</li> <li>Let him/her know that you value their inputs, but that you'll also consider other alternatives.</li> <li>Refrain from attacking their views, which will draw you into a confrontation with him/her.</li> </ul>	<p><b>Indecisiveness</b></p>  <ul style="list-style-type: none"> <li>Suggest alternative approaches and guide the employee through the alternatives.</li> <li>Highlight the importance of decision making and the consequences of delaying thereof.</li> <li>Assist the employee with the decisions and affirm the employee.</li> </ul>
<p><b>Aggressive</b></p>  <ul style="list-style-type: none"> <li>Provide the employee with sufficient time to express himself/herself.</li> <li>Refrain from attacking their views, that will draw you into a confrontation with him/her.</li> <li>Protect other employees from being intimidated by the employee.</li> </ul>	<p><b>Complainer</b></p>  <ul style="list-style-type: none"> <li>Listen to the complaints but don't acknowledge them by nodding your head.</li> <li>Interrupt the complainer after a while and proceed with strategies to deal with the issues raised.</li> </ul>
<p><b>Over-agree</b></p>  <ul style="list-style-type: none"> <li>Be firm with the employee and don't allow him/her to let them make promises that they cannot keep.</li> <li>Monitor the progress of duties assigned to the employee.</li> </ul>	<p><b>Negativity</b></p>  <ul style="list-style-type: none"> <li>Listen to the employee, but do not agree with him/her.</li> <li>Allow the employee to express his/her views, but do not own their negativity.</li> </ul>
<p><b>Quiet</b></p>  <ul style="list-style-type: none"> <li>Give the employee sufficient time to express his/her views on the issues.</li> <li>Do not use the delay in responding by the employee to express your views.</li> <li>Use open ended questions to get a meaningful response from the employee.</li> <li>Affirm the employee, but acknowledging the inputs provided.</li> </ul>	

## Dealing with difficult employees in the workplace

The workplace is a space where employees are required to co-operate and work together in a cordial/pleasant manner. Certain employees however do not always co-operate and are a distraction to others. The organisation must have procedures in place to deal with such difficult employees. Difficult employees have the potential to demotivate other employees and decrease productivity levels.



### Ways of dealing with difficult employees

- Arrange a one-on-one meeting with the difficult employee to avoid being distracted while dealing with the issues.
- State the purpose of the meeting to ease any fear that the employee may have.
- Be specific about the behaviour of the employee that's deemed to be unacceptable.
- Provide the difficult employee with an opportunity to explain his/her side of the unacceptable behaviour.
- Determine a deadline by which the behaviour of the difficult employee must improve.
- Arrange a time to have a discussion with the difficult employee regarding the deadline and monitoring of their progress before the deadline.
- Provide the difficult employee with guidelines for improvement of his/her behaviour.
- Assist the difficult employee about being realistic about changes in his behaviour.

#### Tip

Do not confuse strategies to deal with types of difficult people with difficult personalities.

The differences between dealing with difficult people and difficult personalities is that the latter focuses on strategies to deal with a specific behaviour, while the former, focuses on dealing with difficult employees in general.

### Activity 11.3 Classwork/Homework

#### QUESTION 1: BUSINESS ROLES (CONFLICT MANAGEMENT)

Business operations involve many employees that need to work closely together, which may lead to conflict. Conflict cannot be avoided in the workplace as it may prevent businesses from achieving their goals. Businesses must know the conflict resolution techniques and how to deal with difficult employees in the workplace.

Write an essay on conflict management in which you include the following aspects:

- Outline the differences between a *grievance* and *conflict*.
- Explain the causes of conflict in the workplace.
- Discuss the conflict resolution steps/procedures.
- Suggest ways in which businesses can deal with difficult employees in the workplace.

[40]

#### QR CODE

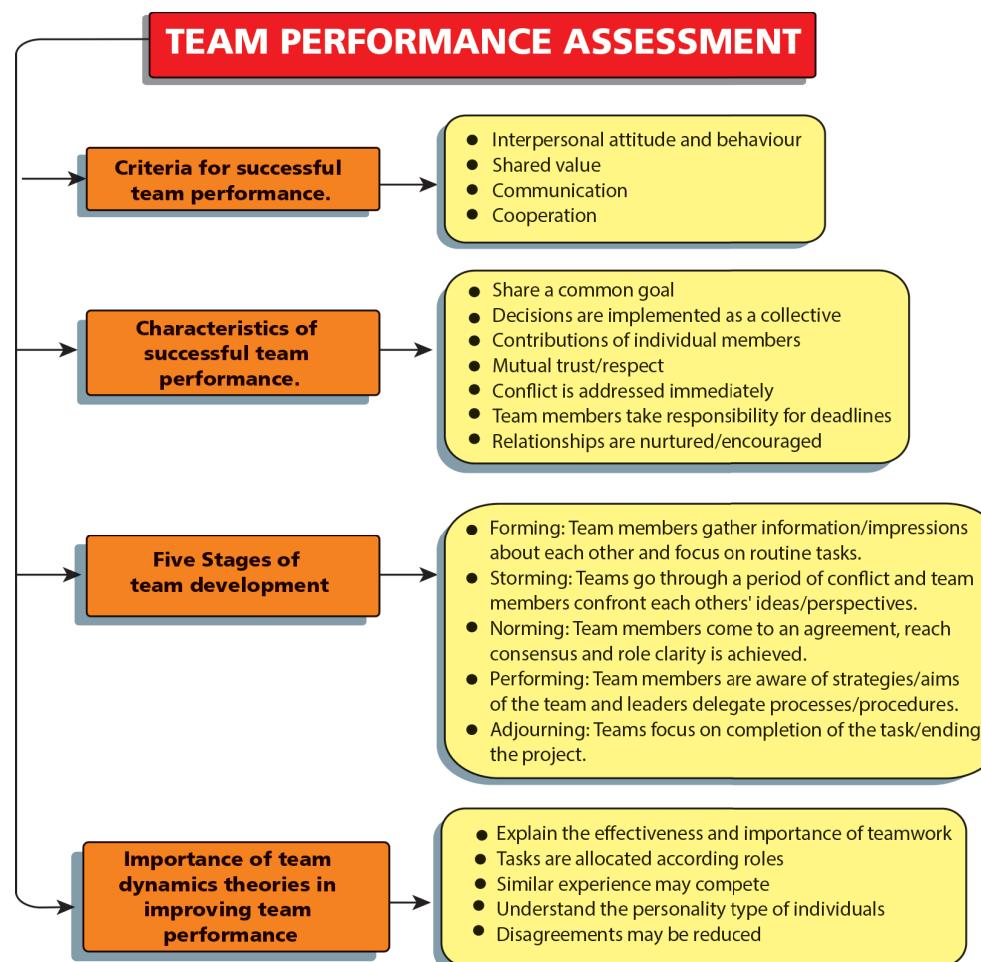
Dealing with difficult employees in the workplace

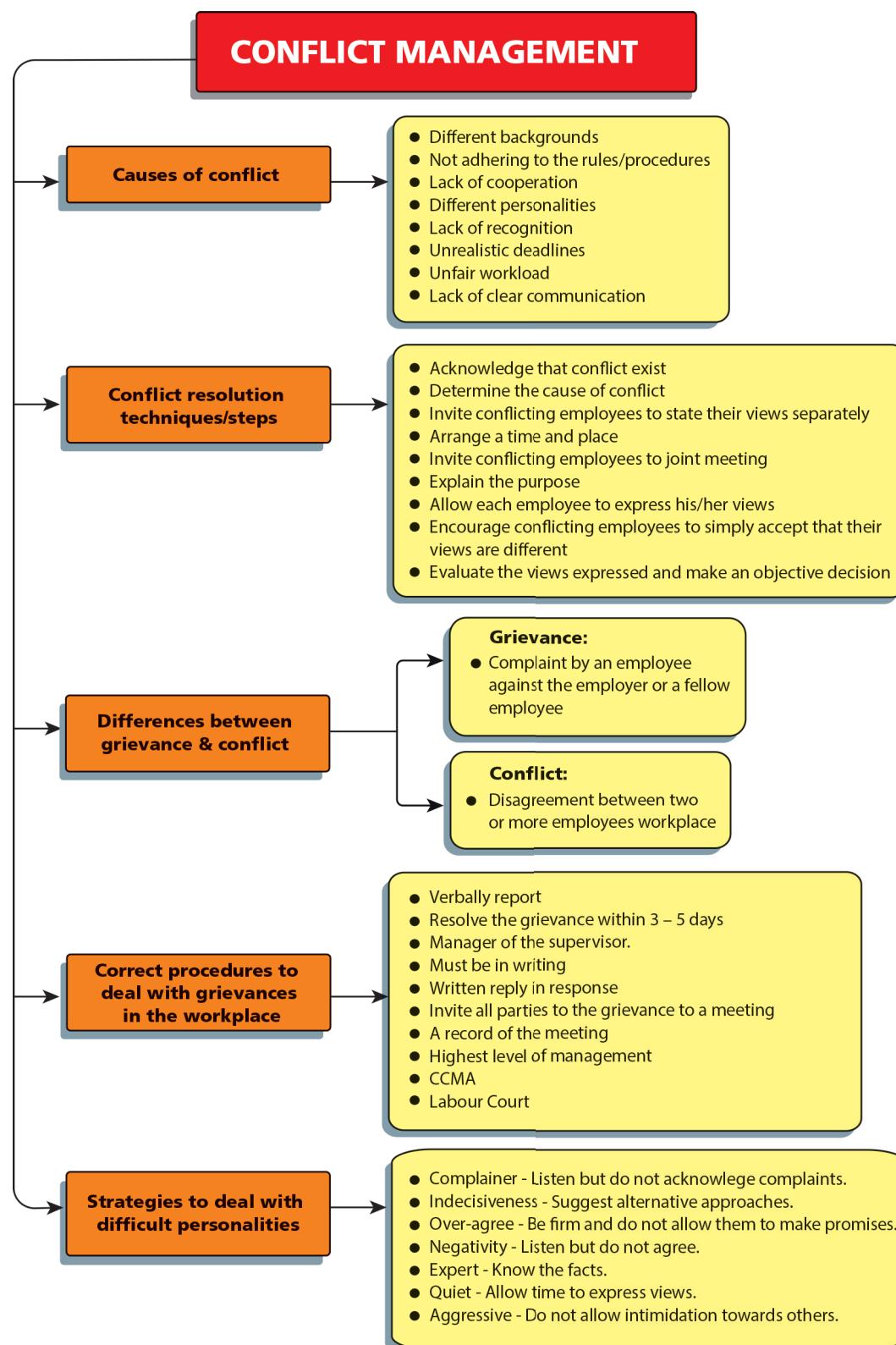


[https://www.youtube.com/watch?v=DuC-r64fVZA&ab\\_channel=HR360Inc](https://www.youtube.com/watch?v=DuC-r64fVZA&ab_channel=HR360Inc)

## Mind map: Topic 11 – Team performance assessment and conflict management

Use the mind maps as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.





### 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 – 1.1.5) in your notebook, for example, 1.1.6 D.

1.1.1 Focus on team members that are willing to work with each other:

- A Mutual trust
- B Co-operation
- C Corporate culture
- D Interpersonal attitude.

1.1.2 Peter lodged a ... against his supervisor for unfair treatment.

- A conflict
- B placement
- C induction
- D grievance

1.1.3 During the ... stage of team development , team members accept that they need to work in harmony with one another.

- A forming
- B storming
- C norming
- D performing

1.1.4 Conflict in the workplace as a result of cultural influences is caused by ... differences.

- A personality
- B social
- C background
- D historical

1.1.5 Using team dynamic theories to enhance team performance, the manager of Creative Blinds allocated tasks according to ...

- A productivity.
- B attitude.
- C personality.
- D roles.

(5 × 2)

#### QUESTION 2

2.1 State FOUR causes of conflict within the workplace.

(4)

2.2 Distinguish between *grievance* and *conflict*.

(4)

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

#### MOODLEY SOFTWARE SOLUTIONS (MSS)

Moodley Software Solutions recently appointed Tandiswa as a web developer and Gaynor as an IT technician. Mr Moodley uses open-ended questions to get meaningful responses from Tandiswa in team meetings. Mr Moodley reminded Gaynor that he values her inputs, but that he'll also consider other alternatives before making decisions.

2.3.1 Identify TWO types of difficult employees that MSS dealt with. Motivate your answer by quoting from the scenario above.

(6)

**Consolidation**

Use the table below as a GUIDE to answer QUESTION 2.3.1.

	<b>TYPE OF DIFFICULT PERSONALITIES</b>	<b>MOTIVATIONS</b>
1		
2		

**2.3.2** Suggest ways in which MSS can deal with the following other types of difficult personalities:

- Complainier
- Over-agree

(4)  
(4)

**2.4.** Advise businesses on how they should handle conflict in the workplace.

(8)

[30]

### **QUESTION 3: BUSINESS ROLES (TEAM PERFORMANCE ASSESSMENT AND CONFLICT MANAGEMENT)**

Successful team performance is characterised by employees working together as a team in the workplace. The stages of team development will present themselves and therefore, businesses need to familiarise themselves with these stages. Businesses should develop ways to deal with difficult employees.

Write an essay on team performance assessment and conflict management in which you include the following aspects:

- Outline the characteristics of successful team performance.
- Explain any FOUR stages of team development.
- Discuss the correct procedure to deal with grievances in the workplace.
- Suggest ways in which businesses can deal with difficult employees in the workplace.

[40]

# BUSINESS STUDIES GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

FORMAL ASSESSMENT TASK

TERM 2

EXEMPLAR

PRESENTATION

MARKS: 50

## Instructions to learners

1. You are required to complete this task to indicate your understanding of the following topics:
  - Investment: insurance
  - Management and leadership
  - Team performance assessment and conflict management
  - Business sectors and their environments
2. Identify a local business in your area and draft a questionnaire/interview schedule for an interview with the owner/manager. Bring this information to the classroom when you prepare the final written presentation.
3. Your teacher will give you a letter from the school to explain the aim of the task to the owner/manager of business.
4. You must prepare a written presentation as well as key notes to present your findings on questions (1.1–1.4). Bring all your information to the classroom to answer the questions, write the presentation and make the key notes.
5. Attach all relevant information and submit the task on the stipulated date of submission to your teacher. The following must be included:
  - The answers to all questions (1.1 – 2.3) must be written out.
  - A copy of the first page of the task with your name on it.
  - A copy of the questionnaire and interview for questions (1.1 – 1.4). The questionnaire and interview must be signed and dated by the owner/manager to testify that you interviewed him/her.
  - Your written presentation as well as your key notes for the presentation must be attached to your task with submission.
  - The rubric must also be attached to the task.
  - Attach the rubric as well, because your marks will be scored on the rubric. Make sure that you know what is required of you.
6. Practise your presentation so that you will be able to present it well to the class.

*This presentation consists of 4 pages.*

## PART 1

### Instructions

- Draw the interview schedule for QUESTION 1-4.
- Make an appointment with any owner/manager of a business in your community.
- Interview the owner using the questions below.
- Summarise your interview findings.
- Present your findings to class.

- 1.1** Name THREE examples of short-term insurance and TWO examples of long-term insurance taken by the owner.

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

(5)

EXAMPLES OF SHORT-TERM INSURANCE	EXAMPLES OF LONG-TERM INSURANCE
1.	
2.	
3.	

- 1.2** Explain the advantages of insurance for the business of your choice. (5)

- 1.3** Analyse the role of personal attitude in successful leadership displayed by the owners. (5)

- 1.4** Advise the owner on ways in which he/she can deal with difficult employees in the workplace. (5)

- 1.5** Name the leadership styles applied by the owner and discuss the advantages of this leadership style on his/her business. (5)

## PART 2

Read the scenario below and answer the questions that follow.

### MOO CATTLE FARM (MCF)

The employees of Moo Cattle Farm often arrive late to work and do not meet daily targets. MCF buys their ingredients from Bathang Lucerne who is sometimes out of stock.

- 2.1** In this part of your task you must answer the following aspects.

- 2.1.1** Name the business sector in which MCF is operating. (1)

- 2.1.2** Quote TWO challenges faced by MCF in the scenario above. (2)

- 2.1.3** Classify the challenges identified in QUESTION 2.1.2 according to TWO business environments. (2)

Use the table below as a GUIDE to answer QUESTION 2.1.2 and 2.1.3.

CHALLENGES 2.1.2	BUSINESS ENVIRONMENT 2.1.3
1.	
2.	

- 2.2** Discuss the characteristics for successful team performance. (5)

- 2.3** Advise businesses on the correct procedure to deal with grievances in the workplace. (5)

## PART 3

Present your PART ONE findings and PART 2 responses to class.

## BUSINESS STUDIES GRADE 12

### RUBRIC FOR PRESENTATION – PART 1

ASSESSMENT CRITERIA	0	1	2	3	4	5	TOTAL
Examples of short- and long-term insurance.	Learner did not give any example of short- and long-term insurance.	Learner only gave ONE example of either short- OR long-term insurance.	Learner only gave TWO examples of either short- OR long-term insurance.	Learner only gave THREE examples of short-term insurance but did not give examples of long-term insurance.	Learner only gave THREE examples of short-term insurance and ONE example of long-term insurance. OR Learner only gave TWO examples of short-term insurance and TWO examples of long-term insurance.	Learner gave THREE examples of short-term insurance and TWO examples of long-term insurance.	5
Advantages of insurance for businesses.	Learner was unable to give any advantages of insurance for businesses.	Learner discussed only ONE advantage of insurance for businesses.	Learner discussed TWO advantages of insurance for businesses.	Learner discussed THREE advantages of insurance for businesses.	Learner discussed FOUR advantages of insurance for businesses.	Learner discussed FIVE advantages of insurance for businesses.	5
Role of personal attitude in successful leadership.	Learner did not give facts on the role of personal attitude in successful leadership.	Learner only gave ONE fact on the role of personal attitude in successful leadership.	Learner only gave TWO facts on the role of personal attitude in successful leadership.	Learner only gave THREE facts on the role of personal attitude in successful leadership.	Learner only gave FOUR facts on the role of personal attitude in successful leadership.	Learner only gave FIVE facts on the role of personal attitude in successful leadership.	5
Dealing with difficult employees in the workplace.	Learner did not provide any strategy on ways to deal with difficult employees.	Learner only gave ONE strategy on ways to deal with difficult employees.	Learner only gave TWO strategies on ways to deal with difficult employees.	Learner only gave THREE strategies on ways to deal with difficult employees.	Learner only gave FOUR strategies on ways to deal with difficult employees.	Learner gave FIVE strategies on ways to deal with difficult employees.	5
Naming the leadership style and discussion on the advantages of a chosen leadership style.	Learner did not mention the leadership style and did not discuss the advantages of a chosen leadership style.	Learner only mentioned the leadership style and did not discuss the advantages of a chosen leadership style.	Learner mentioned the leadership style and only gave ONE fact on the advantages of a chosen leadership style.	Learner mentioned the leadership style and only gave TWO facts on the advantages of a chosen leadership style.	Learner mentioned the leadership style and only gave THREE facts on the advantages of a chosen leadership style.	Learner mentioned the leadership style and only gave FOUR facts on the advantages of a chosen leadership style.	5

## BUSINESS STUDIES GRADE 12

### RUBRIC FOR A PRESENTATION – PART 2

ASSESSMENT CRITERIA	0	1	2	3	4	TOTAL
Business sector, challenges and business environments.	Learner did not mention the business sector, did not quote challenges and classify them according to the business environments.	Learner only mentioned the business sector, but did not quote challenges and classify them according to the business environments.  OR Learner quoted ONE challenge but did not mention the business sector and the classification of challenges according to business environments.	Learner mentioned the business sector and only quoted ONE challenge but did not classify it according to the business environments.	Learner mentioned the business sector and quoted TWO challenges but did not classify them according to the business environments.	Learner mentioned the business sector and quoted TWO challenges but only classified ONE challenge according to the business environments.	5
Characteristics for successful team performance.	Learner did not discuss any characteristics for successful team performance	Learner discussed ONE characteristic for successful team performance	Learner discussed TWO characteristics for successful team performance	Learner discussed THREE characteristics for successful team performance	Learner discussed FOUR characteristics for successful team performance.	5
Correct procedure to deal with grievances in the workplace.	Learner did not give any facts on the correct procedure to deal with grievances in the workplace.	Learner only gave ONE fact on the correct procedure to deal with grievances in the workplace.	Learner only gave TWO facts on the correct procedure to deal with grievances in the workplace.	Learner only gave THREE facts on the correct procedure to deal with grievances in the workplace.	Learner only gave FOUR facts on the correct procedure to deal with grievances in the workplace.	5
Presentation skills based on:	<ul style="list-style-type: none"> <li>• eye contact</li> <li>• voice control</li> <li>• body language</li> <li>• handling of notes</li> <li>• conveying of content</li> </ul>	Learner did not make any presentation.	Standard of presentation is weak, learner could only succeed in ONE of the aspects: eye-contact, has voice control, good body language, handles key notes in a professional way and conveys his/her facts with confidence.	Standard of presentation was below average, learner could only succeed in TWO of the aspects: eye-contact, has voice control, good body language, handles key notes in a professional way and conveys his/her facts with confidence.	Good presentation, learner succeeds in FOUR of the aspects: eye-contact, has voice control, good body language, handles key notes in a professional way and conveys his/her facts with confidence.	5

## BUSINESS STUDIES GRADE 12

### RUBRIC FOR VISUAL AND ORAL PART OF PRESENTATION

CRITERIA	0	1	2	3	4	TOTAL
Written evidence of:	No effort was made with assignment and no documents were included.	Learner included ONLY ONE of the prescribed documents.	Learner included TWO of the prescribed documents.	Learner included THREE of the prescribed documents.	Learner included FOUR of the prescribed documents.	5
Presentation skills based on:	<ul style="list-style-type: none"> <li>• eye contact</li> <li>• voice control</li> <li>• body language</li> <li>• handling of notes</li> <li>• conveying of content</li> </ul>	Learner did not make any presentation.	Standard of presentation is weak, learner could only succeed in ONE of the aspects: eye-contact, has voice control, good body language, handles key notes in a professional way and conveys his/her facts with confidence.	Standard of presentation was below average, learner could only succeed in TWO of the aspects: eye-contact, has voice control, good body language, handles key notes in a professional way and conveys his/her facts with confidence.	Good presentation, learner succeeds in FOUR of the aspects: eye-contact, has voice control, good body language, handles key notes in a professional way and conveys his/her facts with confidence.	5
MARKS OBTAINED:	Part 1	Part 2	Visual and oral presentation	Total	/50	

# BUSINESS STUDIES

## GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

FORMAL ASSESSMENT TASK

TERM 2

EXEMPLAR

JUNE EXAMINATION PAPER 1

MARKS: 150

TIME: 2 HOURS

### Instructions and information

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 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 (minutes)
A Objective-type questions COMPULSORY	1	30	30 minutes
B THREE direct/indirect type questions CHOICE (Answer any TWO.)	2	40	30 minutes
	3	40	30 minutes
	4	40	30 minutes
C TWO essay-type questions CHOICE (Answer any ONE.)	5	40	30 minutes
	6	40	30 minutes
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

7. Begin the answer to EACH question on a NEW page, e.g. QUESTION 1 new page, QUESTION 2 – new page.

8. You may use a non-programmable calculator.

9. Write neatly and legibly.

*This question paper consists of 5 pages.*

## 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 numbers (1.1.1 to 1.1.5) in the ANSWER BOOK e.g. 1.1.6 D.
- 1.1.1** Colourful Paints specialises in the manufacturing of quality paints. They operate in the ... sector  
A secondary  
B primary  
C tertiary  
D informal
- 1.1.2** An industrial analysis tool used by businesses to analyse challenges of the market environment.  
A Porter's Five Forces model  
B PESTLE Analysis  
C SWOT analysis  
D Delphi
- 1.1.3** Data capturing is the responsibility of the ... function at M&M Ltd.  
A production  
B purchasing  
C administration  
D human resources
- 1.1.4** Businesses stop operating and sell all their assets to pay off debts. This is an example of ... as a defensive strategy.  
A divestiture  
B liquidation  
C retrenchment  
D arbitration
- 1.1.5** The ... is the body that oversees compliance with the National Credit Act, 2005 (Act 34 of 2005).  
A National Credit Regulator  
B Debt counsellor  
C Consumer Tribunal  
D Commissioner of Oaths

(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 to 1.2.5) in the ANSWER BOOK.

one and a half; Consumer Protection; double; recruitment; convenience;  
time-related; National Credit; piecemeal; placement; substitute

- 1.2.1** Durum Ltd ensures that the new employees skills match the requirements of a job. This is known as...  
**1.2.2** Luna received ... (times) her normal pay for working on Human Rights Day.  
**1.2.3** The ... Act compels businesses to display the prices of all goods.  
**1.2.4** KTY Enterprises will use ... salary determination to pay employees when agreed-upon parts of a project are completed.  
**1.2.5** A ... product satisfies the same needs of consumers and can be used to replace one another.

(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) in the ANSWER BOOK e.g. 1.3.6.K

COLUMN A	COLUMN B
1.3.1 Labour Relations Act	A the business focuses on buying over suppliers
1.3.2 Quality assurance	B theoretical and practical training opportunities that lead to a recognised occupational qualification
1.3.3 Learnership	C an escape route for business to avoid trouble
1.3.4 Strategy	D gives employers the right to dismiss employees who participated in a legal strike
1.3.5 Forward vertical integration	E gives employees the right to join a trade union of their choice
	F ensures that the desired quality is met by inspecting the final product
	G businesses taking over their distributors
	H displays the long term plan of action to achieve a goal
	I carried out during and after the production process
	J learners acquire a recognised degree on completion of this training

(5 × 2) (10)  
[30]

### TOTAL SECTION A

## SECTION B

Answer any TWO questions in this section.

**NOTE:** Clearly indicate the QUESTION NUMBER of each question that you choose. The answer to EACH question must start on a NEW page, e.g. QUESTION 2 on a NEW page. QUESTION 3 on a NEW page.

### QUESTION 2: BUSINESS ENVIRONMENTS

- 2.1** Name any FOUR pillars of the Broad Based Black Economic (BBBEE) Act. (4)
- 2.2** Identify the Consumer right according to the Consumer Protection Act applied by DH Trading in EACH statement below.
- 2.2.1** A written quotation was given to Melville on the cost of new tiles for his home.
  - 2.2.2** It is part of policy at DH Trading not to give any false or misleading information to customers.
  - 2.2.3** DH Trading ensures that they do not deliberately mislead customers regarding pricing. (6)
- 2.3** List THREE business environments and state the extent of control businesses have over EACH environment. Use the table below as a GUIDE to answer QUESTION 2.3.

BUSINESS ENVIRONMENTS	EXTENT OF CONTROL
1.	
2.	
3.	

(6)

- 2.4** Explain the role of SETAs in supporting the Skills Development Act (SDA). (6)
- 2.5** Read the scenario below and answer the questions that follow.

#### BRENDON MUSICAL INSTRUMENTS (BMI)

Brendon Musical Instruments specialises in selling good quality musical instruments. The owner is a highly qualified musician with knowledge of all instruments. However, the business did not have sufficient capital to invest in stock. The crime rate in the area is very high. John Sabena is willing to invest venture capital in the music industry.

- 2.5.1** Compile a SWOT analysis for BMI by using information from the scenario above. (4)
- 2.5.2** Suggest ONE strategy that can be used by BMI to deal with a threat quoted in QUESTION 2.5.1. (2)
- 2.6** Discuss the steps in strategy evaluation. (6)
- 2.7** Recommend ways in which businesses can comply with the Employment Equity Act, 1998 (Act 55 of 1998). (6)

[40]

### QUESTION 3: BUSINESS OPERATIONS

- 3.1 Name SIX sources of internal recruitment. (6)
- 3.2 Read the scenario below and answer the questions that follow.

#### RALPH'S RETREAT HAVEN (RRH)

Ralph's Retreat Haven has advertised a vacancy for a receptionist on their website. The advertisement included the following aspects regarding the position:

- The receptionist will have to make bookings for the guests and do placements in the different rooms.
- Applicants must have a diploma in administration management.

- 3.2.1 Identify TWO job analysis components that RRH used to compile the advertisement. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 3.2.1.

JOB ANALYSIS COMPONENTS	MOTIVATIONS
1.	
2.	

(6)

- 3.3 Explain the role of the interviewee during the interview. (8)

- 3.4 Identify the business function that is responsible for improving the quality of performance in EACH of the statements below.

- 3.4.1 Peter implements a new stock control management system for the business.

- 3.4.2 Suzy is responsible for press releases on the CSI projects of the business. (4)

- 3.5 Discuss the impact of TQM if poorly implemented by businesses. (8)

- 3.6 Advise businesses on how to apply the PDCA model/cycle as part of continuous improvement to processes and systems. (8)

[40]

### QUESTION 4: MISCELLANEOUS TOPICS

#### BUSINESS ENVIRONMENTS

- 4.1 Name THREE types of leave as stipulated in the Basic Conditions of Employment Act, 1997 (Act 75 of 1997). (3)

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

#### ABRAHAMSEN TRADERS (AT)

Carol an employee at Abrahamsen Traders fell off a ladder and broke her leg during stock-taking. AT refused to report the accident. AT requested Carol not to report the accident as they were not registered with the Compensation Fund.

- 4.2.1 Identify the Act that allows employees to claim for workplace injuries. Motivate your answer by quoting from the scenario above. (3)

- 4.2.2 Discuss the penalties that AT may face for non-compliance with the Act identified in QUESTION 4.2.1. (6)

- 4.3 Advise businesses on how they could apply the following Porter's Five Forces model components to analyse their position in the market:

- 4.3.1 Power of buyers (4)

- 4.3.2 Competitive rivalry (4)

#### BUSINESS OPERATIONS

- 4.4 List FOUR examples of fringe benefits. (4)

- 4.5 Outline the link between salary determination and the Basic Conditions of Employment Act, 1997 (Act 75 of 1997). (6)

- 4.6 Elaborate on the meaning of Total Quality Management (TQM). (4)

- 4.7** Read the scenario below and answer the questions that follow.

**JANCO LTD (JL)**

The management of Janco Ltd is experiencing problems with the quality of one of their product lines. They requested quality circles to suggest solutions to management. They were also requested to make recommendations for improving systems and processes in the workplace.

- 4.7.1** Quote the roles of quality circles from the scenario above. (2)
- 4.7.2** Advise JL on other roles of quality circles as part of continuous improvement to processes and systems. (4)
- [40]**

**TOTAL SECTION B**

**[80]**

## **SECTION C**

Answer ONE question in this section.

**NOTE:** Clearly indicate the QUESTION NUMBER of the chosen question. The answer to EACH question must start on a NEW page e.g. QUESTION 5 on a NEW page or QUESTION 6 on a NEW PAGE.

### **QUESTION 5 BUSINESS ENVIRONMENTS (BUSINESS STRATEGIES)**

The strategic management process plays a very important role in leading businesses into the correct direction. Many businesses apply different types of integration strategies to maintain their positions in the market. Others are in favour of diversification strategies in gaining more customers. Businesses need to find ways to deal with the challenges posed by social and economic factors as PESTLE analysis elements.

Write an essay on business strategies in which you include the following aspects:

- Outline the strategic management process.
  - Explain THREE types of integration strategies.
  - Discuss the advantages of diversification strategies.
  - Advise businesses on how to deal with challenges posed by the following PESTLE factors:
    - Technological
    - Economic
- (40)

### **QUESTION 6: BUSINESS OPERATIONS (QUALITY OF PERFORMANCE)**

Businesses benefit from a good quality management system by ensuring quality performance within the production function. A clear understanding of continuous skills development and total client satisfaction as TQM elements can assist businesses in reducing the cost of quality.

Write an essay on quality of performance in which you include the following aspects:

- Outline the advantages of a good quality management system.
  - Explain the quality indicators of the production function.
  - Evaluate the impact of continuous skills development on large businesses.
  - Suggest ways in which TQM can reduce the cost of quality.
- (40)

**TOTAL SECTION C**

**[40]**

**GRAND TOTAL**

**[150]**

# BUSINESS STUDIES GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

FORMAL ASSESSMENT TASK

TERM 2

EXEMPLAR

JUNE EXAMINATION PAPER 2

MARKS: 150

TIME: 2 HOURS

## Instructions and information

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 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
A Objective-type questions COMPULSORY	1	30	30 minutes
B THREE direct/indirect type questions CHOICE (Answer any TWO.)	2	40	30 minutes
	3	40	30 minutes
	4	40	30 minutes
C TWO essay-type questions CHOICE (Answer any ONE.)	5	40	30 minutes
	6	40	30 minutes
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

7. Begin the answer to EACH question on a NEW page, e.g. QUESTION 1 new page, QUESTION 2 – new page.

8. You may use a non-programmable calculator.

9. Write neatly and legibly.

*This question paper consists of 5 pages.*

## 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 numbers (1.1.1 to 1.1.5) in the ANSWER BOOK e.g. 1.1.6 D.

- 1.1.1** ... is an example of long term insurance.  
**A** Medical aid fund  
**B** Vehicle insurance  
**C** Endowment policy  
**D** Insurance on war
- 1.1.2** Handling of conflict in the workplace involves ...  
**A** firing the difficult worker.  
**B** setting a meeting for all affected parties.  
**C** shifting the blame.  
**D** lodging a grievance procedure.
- 1.1.3** Businesses must use ... thinking to stay ahead of their competitors.  
**A** conventional  
**B** routine  
**C** creative  
**D** non-conventional
- 1.1.4** John lost his arm during a car accident. He submitted his claim to the...  
**A** Unemployment insurance fund/UIF  
**B** Compensation for Occupational Injuries and Diseases (COIDA)  
**C** Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)  
**D** Government Assistance Fund
- 1.1.5** Pamela owns a factory that was damaged in a fire. The damage to the factory was estimated at R300 000. She insured the factory for R780 000, but its current market value is R1,2 million. Pamela will receive ... from the insurer.  
**A** R461 538  
**B** R195 000  
**C** R300 000  
**D** R780 000

(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 to 1.2.5) in the ANSWER BOOK.

transactional;    brainstorming;    transformational;    deceptive advertising;    prospectus;  
indemnification;    unfair advertising;    debentures;    nominal group;    security

- 1.2.1** The ... technique allows an employee to silently generate ideas on his/her own and later share them with the group.
- 1.2.2** Hazel applies the ... leadership theory to motivate employees with a low morale.
- 1.2.3** The insurer applied the principle of ... when the insured was compensated for losses suffered due to fire.
- 1.2.4** Vladimir Ltd used false information to market their products. This is known as ....
- 1.2.5** Mahomed Limited issued ... to raise borrowed capital from the public.

(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) in the ANSWER BOOK, for example, 1.3.6 K.

COLUMN A	COLUMN B
1.3.1 Dividend	A the amount that an insured must pay before the claim is processed
1.3.2 Premium	B return on fixed assets
1.3.3 Conflict	C formal disagreement between an employee and the employer
1.3.4 Charismatic leadership style	D return on investment in government bonds
1.3.5 Capital gain	E leaders use their personality to inspire and motivate employees
	F the monthly amount that the insured must pay to the insurer
	G disagreement or clash of opinions in the workplace
	H return on investment in shares
	I leaders reward employees for meeting targets
	J return on international investments

(5 × 2) (10)  
[30]

## TOTAL SECTION A

## SECTION B

Answer any TWO questions in this section.

**NOTE:** Clearly indicate the QUESTION NUMBER of each question that you choose. The answer to EACH question must start on a NEW page, e.g. QUESTION 2 on a NEW page. QUESTION 3 on a NEW page.

### QUESTION 2 BUSINESS VENTURES

- 2.1** Name TWO examples of short-term insurance. (2)
- 2.2** Identify the principle of insurance represented by EACH statement below.
- 2.2.1** Peter must prove that he will suffer a financial loss if the insured object is damaged, lost, or ceases to exist.
- 2.2.2** Norma was honest and disclosed all her details when she applied for an insurance contract. (4)
- 2.3** Differentiate between *insurance* and *assurance*. (4)
- 2.4** Read the scenario below and answer the questions that follow.

#### BISMARCK PROPERTIES (BP)

The management at Bismarck Properties wants to introduce a new product line. They requested employees to give their input during a round table discussion.

- 2.4.1** Identify the leadership style applied by BP. (2)
- 2.4.2** Suggest situations in which the identified leadership style in QUESTION 2.4.1 can be applied in the workplace. (6)
- 2.5** Discuss the role of personal attitude in successful leadership. (6)
- 2.6** Read the scenario below and answer the questions that follow.

Jumbo Enterprises invested R100 000 with BASA Bank in a fixed deposit for three years. The bank offered them 12% compound interest.

- 2.6.1** Elaborate on the meaning of compound interest. (4)
- 2.6.2** Calculate the interest that Jumbo Enterprises would receive after three years. (4)
- 2.7** Advise businesses on the following factors that should be considered when making investment decisions:
- 2.7.1** Return on investment (4)
- 2.7.2** Risk (4)

[40]

### QUESTION 3 BUSINESS ROLES

- 3.1** Outline TWO examples of ethical behaviour in the workplace. (4)
- 3.2** Differentiate between *decision-making* and *problem-solving*. (4)

- 3.3** Read the scenario below and answer the questions that follow.

### **SHIVA TOOLS MANUFACTURERS (STM)**

The management of Shivia Tools Manufacturers is considering the possibility of adding a new product line, but would first like to get the opinions of experts on the sustainability and viability of the decision.

- 3.3.1** Identify the problem-solving technique that will be used by STM. (2)
- 3.3.2** Explain how STM could apply the problem-solving technique identified in QUESTION 3.3.1. (6)
- 3.4** Explain to Nadal Ltd how the directors could apply the following King Code principles: (4)
- 3.4.1** Transparency (4)
- 3.4.2** Responsibility (4)
- 3.5** Discuss the positive impact of brainstorming on businesses. (6)
- 3.6** Advise businesses on the correct procedure to deal with grievances in the workplace. (6)
- 3.7** Recommend ways on how businesses can deal with the pricing of goods in rural areas. (4)

**[40]**

## **QUESTION 4 MISCELLANEOUS TOPICS**

### **BUSINESS VENTURES**

- 4.1** Identify the insurance concept represented by EACH statement below:

- 4.1.1** The insurance contract stipulates that the insured item will be replaced if it is over-insured.
- 4.1.2** The insured must first pay a certain amount when lodging a claim.
- 4.1.3** The insurer will not pay the full amount of loss if assets are under-insured. (6)

- 4.2** Read the scenario below and answer the questions that follow.

### **BLUE BERRIE BAKERY (BBB)**

Blue Berrie Bakery has managed to dominate a fair share in the baking industry over the years. The management of BBB uses different leadership styles to manage different circumstances. The passion and personality of their supervisors inspire employees to adjust appropriately during times of drastic change. BBB realises the importance of leading by example and fosters strong work relationships with subordinates.

- 4.2.1** Identify the leadership theories applicable to BBB. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 4.2.1.

<b>LEADERSHIP THEORIES</b>	<b>MOTIVATIONS</b>
1.	
2.	
3.	

(9)

- 4.3** Explain *liquidity* as a factor that should be considered when making an investment decision. (4)

### **BUSINESS ROLES**

- 4.4** Name FOUR causes of conflict in the workplace. (4)

- 4.5** Read the scenario below and answer the questions that follow.

### **RA PAINTS (RP)**

Roberto and Adie are both directors at RA Paints. Roberto promised to appoint Jamila as the new secretary if she agrees to have an intimate relationship with him. Andrew the truck driver frequently uses the business truck for private trips. Adie often uses the credit card of the business for personal expenses without consent of Roberto.

- 4.5.1** Identify THREE types of unprofessional business practices displayed by the employees of RAP. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 4.5.1.

UNPROFESSIONAL BUSINESS PRACTICES	MOTIVATIONS
1.	
2.	
3.	

(9)

- 4.6** Advise businesses how they can apply a Force Field analysis to solve complex business problems. (8)

[40]

**TOTAL SECTION B**

[80]

## SECTION C

Answer ONE question in this section.

**NOTE:** Clearly indicate the QUESTION NUMBER of the chosen question. The answer to EACH question must start on a NEW page e.g. QUESTION 5 on a NEW page or QUESTION 6 on a NEW PAGE.

### QUESTION 5: BUSINESS VENTURES (INVESTMENT: SECURITIES)

Businesses may decide to invest some of their accumulated savings with listed companies on the JSE. Investment period is one of the factors which business must consider prior to the investment. Businesses can choose to invest in debentures and venture capital. Shares as a form of investment must be carefully evaluated.

Write an essay on investment: securities in which you include the following aspects:

- Outline the functions of the Johannesburg Security Exchange (JSE).
- Explain investment period as a factor that must be considered when making an investment decision.
- Discuss the following types of investment opportunities:
  - Debentures
  - Venture capital
- Advise investors on the impact of shares as a form of investment.

[40]

### QUESTION 6: BUSINESS ROLES (TEAM PERFORMANCE AND CONFLICT MANAGEMENT)

Businesses understand the importance of successful teamwork in the workplace. Team dynamics theories play an important role in improving team performance. Management must have a clear understanding of different stages of team development. They must also find ways to deal with difficult personalities in the workplace.

Write an essay on team performance and conflict management in which you include the following aspects:

- Outline the characteristics of successful team performance.
- Describe the importance of team dynamic theories in improving team performance.
- Discuss any THREE stages of team development in the workplace.
- Suggest ways in which businesses can deal with the following difficult personalities in the workplace:
  - Complainant
  - Expert

[40]

**TOTAL SECTION C**

[40]

**GRAND TOTAL**

[150]

## TERM 3

12

# Human rights, inclusivity and environmental issues



## TOPIC OVERVIEW

- [Unit 12.1 Unpacking human rights](#)
- [Unit 12.2 The meaning of diversity in the workplace](#)
- [Unit 12.3 Environmental issues](#)



## Learning objectives

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

- ❖ outline/name the following human rights in the workplace: privacy, dignity, equity, freedom of speech and expression, information, safety, security, and protection of life
- ❖ identify the above-stated human rights from given scenarios/statements
- ❖ recommend ways in which businesses could deal with the above-stated human rights in the workplace
- ❖ outline the economic rights of employees in the workplace
- ❖ name the social rights of employees in the workplace
- ❖ recommend ways in which businesses could promote social rights and cultural rights in the workplace
- ❖ explain the implication of equality, respect, and dignity on businesses
- ❖ define/elaborate on the meaning of diversity in the workplace
- ❖ identify/name the following diversity issues from given scenarios/statements: poverty, race, gender, language, age, culture/religion, and disability
- ❖ recommend/suggest ways in which businesses could deal with the above-stated diversity issues in the workplace
- ❖ discuss the benefits of diversity in the workplace
- ❖ explain the responsibilities of employers in promoting human health and safety in the workplace
- ❖ outline/explain/discuss the roles of the health and safety representatives in protecting the workplace environment
- ❖ identify the roles of health and safety representatives from given scenarios
- ❖ explain the responsibilities of workers/employees in promoting human health and safety in the workplace



## Learning objectives

- ❖ identify the responsibilities of employers and employees/workers in promoting human health and safety in the workplace from given scenarios
- ❖ recommend/suggest strategies businesses may use to protect the environment and human health
- ❖ assess a business venture on human rights, inclusivity and environmental issues, using informal surveys, interviews, and so on.



## Key concepts

- **Equality:** fair employment practice, without any discrimination. Everyone is entitled to equal rights, status, advantages, etc.
- **Human rights:** the basic rights that everyone has because they are human beings, irrespective of their gender/race/nationality or any other status.
- **Economic rights:** the rights each person must have in order to be economically active and treated according to certain laws and regulations.
- **Social rights:** the right of people to welfare and social benefits.
- **Cultural rights:** the right to exercise the ideas, customs, and social behaviour of a particular group or society.
- **Disability:** a physical or mental condition that limits a person's movements, senses, or activities.
- **Respect:** polite behaviour towards or care for somebody/something that you think is important. It is when you treat someone/something with propriety or consideration.
- **Dignity:** when you treat a person with respect.

## Introduction

Human rights are basic rights that are enshrined in the South African constitution. These rights enable people to interact with each other, through a shared set of rights and responsibilities. Businesses are also expected to promote human rights in the workplace. In Grade 10, you learnt about the purpose of inclusivity in the workplace. In Grade 11, you learnt about workplace safety and health representatives. We will provide a detailed analysis of the human rights, inclusivity and environmental issues in Grade 12.



## Unit 12.1 Unpacking human rights

### The meaning of human rights in the workplace

Human rights are rights that everyone must enjoy just because they are human beings. These rights are protected by the Bill of Rights contained in chapter two of the Constitution of the Republic of South Africa, Act No. 108 of 1996. These rights are based on common values such as dignity, equality, fairness, respect etc.



There are many human rights, but in this unit we will only focus on the following six human rights and their implications in the workplace for examination purposes:

- privacy
- dignity
- equity
- freedom of speech and expression
- information
- safety/security and protection of life.

Let's look at each of these rights in a bit more detail. Following is a short explanation of these human rights as outlined in the Constitution.

#### Privacy

People's information should be kept confidential and their property should be respected.

#### Dignity/Respect

Everyone has the right to be treated with respect and have their dignity be protected.

**Equity**

People must be equal in rights, status and advantages and be treated as such, in the workplace.

**Freedom of speech and expression**

Everybody should have the right to express his/her opinion and should not be punished or discriminated against for voicing it.

**Information**

Everyone should have access to information that concerns them including all information held by employers, the government and other stakeholders.

**Tip**

You must only focus on the six human rights of employees in the workplace as outlined in the Examination Guidelines.

**Safety/security and protection of life**

People have the right to an environment that is not harmful to their health and the proper gear to protect their health and safety.

**Tip**

You must focus on "how" businesses should deal with each human right of the employees in the workplace.

## Ways to deal with human rights in the workplace

Businesses must handle their employees, customers, and other stakeholders correctly. The policies and practices of the business must include the rules by which the business must operate regarding human rights. This will ensure loyalty and reduce legal actions against the business.

### Privacy

- Businesses must respect the rights of employees and clients and may not violate it.
- Personal information about employees or customers must be kept confidential and should not be given to anyone else.
- The business must keep any information on the HIV/AIDS status or chronic illnesses of its employees confidential.
- It is illegal to read other people's emails or record any conversations unless stated clearly and upfront.

## Respect/Dignity

- Businesses must value their employees regardless of their socio-economic status and treat all employees with respect and dignity.
- Workers should not be forced to do embarrassing or degrading work.
- The way in which the business communicates should also display respect and dignity towards the employees and customers.

## Equity

- Businesses must not discriminate against their employees based on gender, race, religion, sexual orientation, etc., but give equal opportunities to them.
- The business must ensure that its workers receive equal pay for work of equal value.
- They should apply relevant legislation fairly on all levels of management, for example, with new appointments they must adhere to the regulations of the EEA.
- Managers should ensure that no employee suffers because of discrimination, for example, paternity leave was implemented to give equal rights to fathers.

## Freedom of speech and expression

- Businesses should allow open communication channels between management and employees, for example, they can implement a box for grievances from the employees.
- Businesses should give employees a platform to raise their grievances without any victimisation by appointing workplace representatives.
- The employee has the right to express his/her opinion and should not be punished or discriminated against for voicing their opinion.

## Information

- Workers should have access to information that concerns them including all information held by the government, for example, policies, work schedules, employment contracts, labour laws such as the BCEA/EEA/SDA, etc.
- Business needs to be transparent in their financial statements by allowing employees who request to see these statements with motivation.
- When new information becomes available, the business should inform employees about it.
- Employees must receive information on the CSI projects of the business and how they will affect them.

## Safety/Security and protection of life

- Businesses should provide workers with protective clothing, for example, gloves and footwear.
- Businesses must comply with the regulations such as the OHSA/COIDA, and etc., regarding the safety and health of their employees.
- Employers should take precautionary measures to ensure that employees and their belongings are safe in the workplace.



## The economic rights of employees

Economic rights of workers include the following:

- Freedom from forced labour.
- The right to accept or choose work.
- Fair wages and equal pay for equal work.
- The right to leisure and reasonable limitation of working hours.
- Safe and healthy working conditions.
- Join/Form trade unions
- Right to participate in a legal strike.



## The social rights of employees

The following social rights are applicable to the workplace:

- Clean water
- Education
- Protection
- Health care



## Ways to promote social rights in the workplace

The business must concentrate on the following implications for businesses:

- The business must adhere to the right of workers to have access to clean water and social security in the workplace.
- Provide opportunities for employees to attend skills training sessions and with adult basic education.
- The business must register workers with the UIF to provide adequate protection in the event of unemployment or illness.
- The business can encourage employees to participate in special events, for example, World AIDS Day.
- They can provide health care services by establishing site clinics to give employees access to basic medical examinations.



Young workers: Your rights and responsibilities.



<https://www.youtube.com/watch?v=LkeQieO5THw>

## Cultural rights

### Ways to promote cultural rights in the workplace

The business can implement the following ways to promote cultural rights in the workplace:

#### Tip

Social rights include aspects like healthcare, food, water, social security, religion and education.

Cultural rights include aspects like language, cultural activities and indigenous knowledge.



- The business must respect the right of workers to participate in the cultural life of their choice.
- They must provide an environment in which employees are free to use their language when interacting with others during their free time.
- To help employees respect each other, the business can hold regular cultural information sessions in the workplace.
- Different cultures can be accommodated by providing different food in the canteen as well as staff functions.
- According to the EEA, the business must employ people from various cultural backgrounds.
- The business must train employees to tolerate other cultures in the workplace.



#### QR CODE

Workplace equality and respect is good for business.



<https://www.youtube.com/watch?v=muEn65m83qQ>

#### Tip

This question must be answered holistically and the aspects must not be split into equality, respect and dignity.



## Implication of equality, respect, and dignity on businesses

- Employees must be treated equally, regardless of their race, colour, age, gender, disability, and so on.
- Equal access to opportunities, positions, and resources must be available to all employees.
- Legislation concerning equal opportunities and human rights in the workplace must be implemented by employers and employees.
- Businesses should develop equity programmes that promote strategies to ensure that all employees are treated equally regardless of status, rank, or power.
- The mission statement of the business should include values of equality and respect.
- Businesses should include issues such as diversity, discrimination, and harassment in their training, information, or business policies.
- Incidents of discrimination must be reported, and employers should respond swiftly and fairly to these issues in the workplace.
- Employers must ensure that the workplace environment is safe, fair, and free from embarrassment.
- Employers must give orders or tasks respectfully and if appropriate, allow the employees to have a say in the way the task should be performed.
- Workers should be treated with respect and dignity by recognising work well done.

● ● | Activity 12.1 Classwork/Homework
**QUESTION 1**

- 1.1** Outline FOUR economic rights of workers in the workplace. (8)  
**1.2** Read the scenario below and answer the question that follow.

**JUNG LOGISTICS (JL)**

Benno Jung is the owner of Jung Logistics. Bono does not offer Fatima and Fabio the same salary scale as they both perform well and have the same experience. Some of JL's employees are afraid to raise their opinions as they may face discrimination in the workplace.

Bono shared the HIV status of one of his employees with his junior manager. Hank was hired as a truck driver but he was instructed to remove sewage from leaking pipes. JL did not inform their employees of their roles in the CSI projects that will be done for the community.

- 1.2.1** Identify FIVE human rights violated by JL. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.2.1.

HUMAN RIGHTS	MOTIVATIONS
1.	
2.	
3.	
4.	
5.	

- (15) **1.3** Explain the implication of equality, respect and dignity on businesses. (8)  
**1.4** Recommend ways in which businesses could promote social rights in the workplace. (6)

[37]

**Tip**

Use the correct wording for the human rights in QUESTION 1.2.1.

## Unit 12.2 The meaning of diversity in the workplace

Diversity means that people are different in terms of races, gender, age, culture, religion and background etc. The workplace consists of diverse backgrounds. This requires businesses to develop ways to deal with each diversity issue in the workplace.

In this unit we will focus on how businesses should deal with the following diversity issues:

- poverty
- race
- gender
- language
- age
- culture/religion
- disability.



**Tip**

When answering a question on ways to deal with diversity issues, concentrate on what the business must do to deal with the issue.



## Ways in which the businesses can deal with diversity issues

Let us look at how businesses can deal with diversity issues.

### Poverty

- The business should consider people from different socio-economic backgrounds and status when they employ new staff members.
- Previously disadvantaged individuals must also have a chance to be educated by incorporating Adult Basic Education and Training (ABET) into the training programmes of the business.
- The business must reward employees for services that were rendered well and provide for their basic needs.
- Businesses must ensure that the prices of products are affordable for their identified consumer market.
- Some unemployed people from local communities must be trained as part of a business's CSI projects.
- They should offer subsidised meals or canteen facilities on the premises for their employees.
- Free uniforms or personal protective clothing should be supplied to all employees to ensure their safety in the workplace.

### Race

- Businesses must implement affirmative action policies as required by EEA and other laws.
- There should be no discrimination in the workplace based on skin colour.
- Businesses should comply with the EEA and BBBEE Act when appointing people.
- Businesses should ensure that the workplace is diverse by employing people from different race groups.
- Previously disadvantaged people should get preferential treatment when new appointments need to be made.

### Religion/Culture



- Businesses need to be sensitive to special requests from different cultural groups, for example, allowing day(s) off for cultural holidays or festivals.
- Businesses must cater for special food and special preparation methods in the workers' canteen.
- Everyone has the right to have their culture and religion acknowledged and respected.
- There must be no discrimination against employees on the grounds of their cultural background.
- Nobody must be forced to do work that could be against their religion.

## Gender



- The business should offer equal employment opportunities to males and females.
- Both men and women should have the opportunity to be promoted to managerial positions.
- The business must set targets for gender equity in the business as well as the implementation thereof.
- New appointments should be based on skills and ability, despite the gender of the person.
- The business should introduce affirmative action by ensuring that male and female employees are remunerated fairly and equally.

## Language

- Businesses have the privilege to specify that all communications should be in one specific language only and can expect employees to have a certain level of fluency in that language.
- The business must provide training to the employees in the official language of the business.
- If necessary, the business must employ an interpreter to enable everyone to understand what is being said in a meeting.
- All business contracts should be in an easy-to-understand language and should be explained in the language of choice for the relevant parties signing the contract.
- At business meetings, no employee should feel excluded because they do not understand the language that is used.

## Age

- The business must implement promotions based on a specific set of skills rather than being linked to age.
- The BCEA prohibits the employment of persons aged 15 or younger.
- A business may employ a person who is older than the normal retirement age, provided that person is the most suitable candidate.
- If a person is the most suitable candidate for a job, a business may employ him/her even if they are older than the normal retirement age.
- Older employees can be used as mentors to help young employees to develop their potential.

- The business must expect young employees to respect and learn from older employees.
- Everyone in the business must be taught to be sensitive to different perspectives of various age groups.

## **Disability/Physically challenged/People living with a disability**

- Businesses should employ people who are physically challenged in jobs that they can handle.
- The facilities in the business should make provision for people who are physically challenged, for example, by providing ramps for wheelchairs or toilet facilities that can accommodate people who are physically challenged, and so on.
- Businesses must ensure that workers with special needs are not marginalised or feel excluded from workplace activities.
- Businesses should be well-informed on how to deal with disabled employees.
- The policies and programs of the business should accommodate the needs of people with disabilities.
- Businesses must create an organisational culture or a climate that is conducive for people with disabilities.
- Businesses should train their employees on how to deal with colleagues who have any form of disability.
- Businesses can make use of external experts who can advise them on how to deal with disability and accommodation issues.
- The business should not discriminate against employees who have disabilities, nor should they treat them fairly.
- The business must focus on the skills and work performance of the disabled worker, rather than his/her disability and possible problems he/she may pose in the future.



## Benefits of diversity in the workplace

- A diverse workforce improves the ability of a business to solve problems, be more innovative and cultivate diverse markets.
- When employees value each other's diversity, they learn to connect and communicate across barriers and/or differences.
- A diverse workforce can improve the morale and motivation of employees.
- When people feel respected, accepted, and understood, they demonstrate greater loyalty towards the business.
- More ideas and inputs from different perspectives of a diverse workforce can give businesses a competitive advantage, as they can render better services.
- When employees respect their diversity and accept that it makes good business sense, it improves the profitability of the business.
- When a business ensures that its policies and practices include diversity, it will empower employees to perform at their full potential.
- Investors and other stakeholders increasingly evaluate businesses on how they manage diversity in the workplace.
- Employees from different backgrounds and indigenous knowledge can bring different perspectives to the business.
- A debate or brainstorming with a diversified workforce can stimulate new or improved ways of getting things done.
- A diverse workforce of employees representing various groups will be able to recognise customer needs and satisfy consumers.
- Diversity in the business is more likely to contribute to a good public image and attract more customers.

### Tip

Do not confuse the benefits of diversity with the advantages of creative thinking in the workplace. Diversity focuses on how businesses can benefit from a diverse workforce.

### Activity 12.2 Homework/Classwork

#### QUESTION 1

**1.1** Elaborate on the meaning of diversity in the workplace. (4)

**1.2** Identify the diversity issue addressed by Mathe Traders (MT) in EACH statement below:

- 1.2.1** MT introduced the affirmative action policy to ensure that male and female workers are offered equal employment opportunities.
- 1.2.2** MT sells special food in the canteen to cater for different employees in the business.
- 1.2.3** They encourage older employees to help younger employees to develop their potential.
- 1.2.4** MT built ramps for employees who use wheelchairs. (8)

**1.3** Discuss the benefits of diversity in the workplace. (8)

**1.4** Suggest ways in which businesses can deal with poverty as a diversity issue in the workplace. (8)

[28]

## Unit 12.3 Environmental issues

Business consider the impact of their operations on the environment and ensure that their actions do not harm their employees and pollute the environment. It is the responsibility of the employer, health and safety representatives, employees and the business to promote human health and safety in the workplace.

Let us look at the responsibilities of each of the above mentioned stakeholders in promoting human health and safety in the workplace.



### Tip

The employer in this context can be "the CEO" of the business.



### Responsibilities of employers in promoting human health and safety in the workplace

- They must provide and maintain equipment that is safe for employees to use in order to perform their work.
- Employers must have systems in place that ensure that there will be no harmful impact on the health and safety of workers.
- They must provide personal protective clothing to workers and reduce or remove dangers in the workplace.
- Employers must carefully monitor the production, processing, storage, transportation of materials or equipment to ensure that the workers' health is not compromised by hazardous substances.
- Employers must know where potential dangers might be and take measures to eliminate or limit the harm, for example, the surface of the floor must not be slippery.
- Workers must be informed or instructed and supervised to limit potential dangers to themselves, for example, emergency exit door signs should be visible to all employees.
- Businesses must ensure that workers make use of equipment only under the supervision of a designated trained worker.

## Roles of health and safety representatives in protecting the workplace environment

The following aspects form part of the roles of health and safety representatives:

- They need to ensure that the correct personal protective clothing is provided and available to all workers, and that the workers are always wearing it.
- They must identify potential dangers in the workplace, for example, a loose railing at a staircase.
- Promote and review safety measures in the workplace.
- They must liaise with management to check and monitor the effectiveness of health and safety measures.
- They must ensure that all workers receive the correct equipment they need in order to perform their work, and that the equipment is regularly maintained.
- They must ensure that the business provides the necessary safety training to all employees so that any potential dangers in the workplace can be avoided.
- They must ensure that dangerous equipment is used under the supervision of trained and qualified workers.
- They must monitor the production, processing, storage, and transportation of materials/equipment to ensure that the workers' health and safety are not endangered by any hazardous materials/equipment.
- They must ensure that employers comply with COIDA, for example, reporting accidents that may have occurred in the workplace.

### Tip

**Health and Safety Representatives**  
Representatives are elected by co-workers to act on their behalf to resolve any health and safety issues in the workplace.

### QR CODE

A day in the life of a health and safety representative.



<https://www.youtube.com/watch?v=a2tgvsCtKuA>

## Responsibilities of workers/employees in promoting health and safety in the workplace

The responsibilities of employees regarding health and safety are as follows:

- Workers must be aware that they should take care of their health and safety in the workplace.
- Workers must always comply with the rules and procedures of the business, for example, they should always wear the prescribed safety clothing such as hard hats, safety shoes, and gloves.
- If there are unsafe or unhealthy working conditions, they must report it to the relevant authorities or management.
- Accidents must be reported to the relevant authorities immediately and the prescribed paperwork must be completed.
- Workers must take reasonable steps to ensure their safety and comply with the rules and restrictions of the workplace.
- If they are aware of any illness that may affect their ability to work, they must inform their employer timely.

### Tip

When answering a question on this part concentrate on the responsibility of the EMPLOYEE.

## Strategies businesses may use to protect the environment and human health

- Businesses must not generate profit at the expense of the environment, but they must adhere to the relevant laws and regulations.
- The business should be aware of their impact on pollution and other environmental issues in order to minimise its impact, for example, businesses should find safe ways of disposing of waste and/or dumping toxic waste, etc.

**Tip**

When studying this section, you must focus on HOW businesses should protect the environment and human health.

Remember to include aspects of both protection of the environment, as well as human health in your answer.



- The business must also take steps to become involved in environmental awareness programmes.
- The business must alter its production techniques in favour of cleaner and greener technologies to protect the environment.
- According to the social rights of workers, the business must test the water in the workplace to ensure that it is safe for human consumption.
- The business must look after natural resources and promote nature conservation.
- The business must have a policy to minimise pollution and actively reuse, recycle and reduce waste.
- The business can reduce consumption of goods and services which are environmentally unfriendly, for example, by investing in appropriate technology like clean solar or wind power.
- They must register or engage with recognised institutions or bodies that promote green peace and green energy.
- The physical working conditions in the workplace should always be worker-friendly, safe and promote occupational health.
- The business must evaluate the physical working conditions, to improve human health, for example, by providing adequate lighting and ventilation to ensure optimal and functional working conditions.
- Servicing and maintaining all machines regularly in order to reduce accidents in the workplace.
- The business must educate workers about hygiene issues, for example, washing of hands.
- To improve the health of workers, the business must encourage employees to do regular health check-ups, for example, checking their blood pressure and temperature checks, and so on.


**•• | Activity 12.3 Classwork/Homework**
**QUESTION 1: BUSINESS ROLES (ENVIRONMENTAL ISSUES)**

Employers must consider their responsibilities in promoting human health and safety in the workplace. The health and safety representatives are also responsible for promoting health and safety in the workplace. Employees must also play their part in promoting safety in the workplace. Businesses need to develop strategies to protect the environment and human health in the workplace.

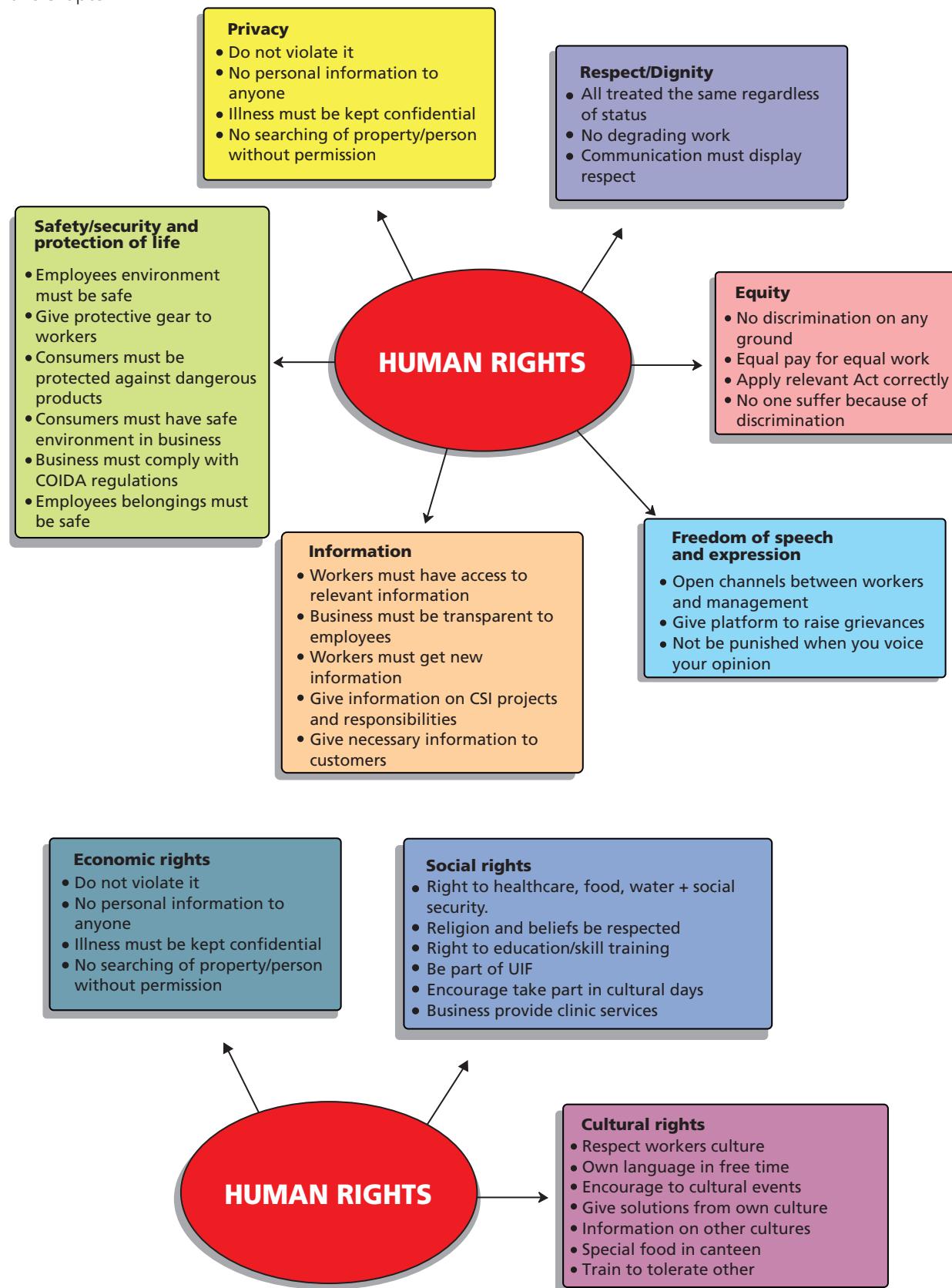
Write an essay on environmental issues in which you include the following aspects:

- Outline the responsibilities of employers in promoting human health and safety in the workplace.
- Explain the roles of health and safety representatives in protecting the workplace environment.
- Discuss the responsibilities of employees in promoting human health and safety in the workplace.
- Recommend strategies businesses may use to protect the environment and human health.

[40]

## Mind map: Topic 12 – Human rights, inclusivity and environmental issues

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.





## Consolidation

### QUESTION 1

- 1.1** Choose a description from COLUMN B that matches the term in COLUMN A. Write the letter (A – J) next to the question numbers (1.1.1 – 1.1.5) in your notebook, for example, 1.1.6 K.

COLUMN A	COLUMN B
<b>1.1.1</b> Equality	<b>A</b> rights that are protected by the Bill of Rights
<b>1.1.2</b> Dignity	<b>B</b> workforce consists of employees from different backgrounds and races
<b>1.1.3</b> Human rights	<b>C</b> correct behaviour out of fear for consequences of your actions
<b>1.1.4</b> Cultural rights	<b>D</b> a physical or mental condition that limits a person's movements, senses, or activities
<b>1.1.5</b> Diversity	<b>E</b> the business must include male and female workers in the workforce <b>F</b> businesses must treat all employees with respect regardless of their socio-economic status <b>G</b> fair employment practices, without any discrimination <b>H</b> rights of employees such as healthcare and clean water <b>I</b> these rights are protected by the EEA Act <b>J</b> rights of the workers such as language and religion

(5 x 2) (10)

- 1.2** Name FOUR social rights in the workplace.

(4)

- 1.3** Outline the responsibilities of employers in promoting human health and safety in the workplace.

(6)

**[20]**

### QUESTION 2

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

#### THINUS CAR MANUFACTURERS (TCM)

The management of Thinus Car Manufacturers works together with health and safety representatives. They will be responsible for ensuring that dangerous equipment is used under the supervision of trained and qualified workers. They must also ensure that the business provides the necessary safety training to employees.

- 2.1.1** Quote TWO roles of the health and safety representatives from the scenario above. (2)

- 2.1.2** Explain other roles of the health and safety representatives in the workplace. (4)

- 2.2** Recommend ways in which businesses could deal with the following human rights in the workplace:

- 2.2.1** Freedom of speech and expression (4)

- 2.2.2** Safety, security and protection of life in the workplace (4)

**[14]**

### QUESTION 3: BUSINESS ROLES (HUMAN RIGHTS AND DIVERSITY)

Businesses are required to promote the economic rights of the employees in the workplace. They must also know the implications of equality, respect, and dignity in the workplace. Businesses must find ways to deal with gender and age as diversity issues so that they can enjoy the benefits of diversity in the workplace.

Write an essay on human rights and diversity in which you include the following aspects:

- Outline the economic rights of employees in the workplace.
- Explain the implications of equality, respect, and dignity in the workplace.
- Discuss the benefits of diversity in the workplace.
- Suggest ways in which businesses could deal with the following diversity issues in the workplace:
  - » Gender
  - » Age

**[40]**

## TERM 3

13

# Social responsibility and corporate citizenship: CSR & CSI



## TOPIC OVERVIEW

- [Unit 13.1 Understanding social responsibility](#)
- [Unit 13.2 Socio-economic issues](#)
- [Unit 13.3 Corporate Social Responsibility \(CSR\) and Corporate Social Investment \(CSI\)](#)



## Learning objectives

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

- ❖ define/elaborate on the meaning of social responsibility
- ❖ explain the relationship/link between social responsibility and the triple bottom line
- ❖ suggest ways in which a business project can contribute to the community
- ❖ identify/name the following socio-economic issues from given scenarios/statements:
  - HIV/AIDS
  - unemployment
  - poverty
- ❖ recommend/suggest ways in which businesses can deal with the above socio-economic issues
- ❖ explain/recommend/suggest ways in which businesses can contribute time and effort in improving the well-being of employees and communities
- ❖ define/elaborate on the meaning of CSR
- ❖ describe/explain the purpose of CSR
- ❖ identify/name/outline the components of CSR
- ❖ identify CSR programmes from given scenarios/statements
- ❖ explain/discuss/evaluate/analyse the impact of CSR on businesses and communities
- ❖ defines/elaborates on the meaning of CSI
- ❖ explain the purpose of CSI
- ❖ outline/name CSI focus areas
- ❖ explain/distinguish/differentiate between CSR and CSI
- ❖ explain/discuss/evaluate/analyse the impact of CSI on businesses and communities.



## Key concepts

- **Initiative:** implementing solutions to new/important plans that have been undertaken by the business.
- **Stakeholders:** any person/organisation that has a direct or indirect interest in the business and its activities.
- **Wellbeing:** the degree of happiness/prosperity/success/positive morale of employees/community/society.
- **Emissions:** harmful substances that are released during production processes.
- **Corporate Social Responsibility (CSR):** how the business manages its processes, including time and effort, to affect all the stakeholders of the business positively.
- **Social responsibility:** an ethical viewpoint that says every individual/organisation must benefit society as a whole.
- **Corporate Social Investment (CSI):** the investment of corporate funds/other assets for the primary purpose of achieving social outcomes.
- **Social Responsibility Index:** allows for the benchmarking of CSR/CSI compliance of companies which assists managers to improve their CSR/CSI performance. This is an index used by the JSE to inform investors about the corporate sustainability policies and practices of businesses.

## Introduction

In Grade 10 you were introduced to the meaning of socio-economic issues, the reason why they pose a challenge to businesses and their impact on business operations. In Grade 11 we learned about the impact of socio-economic issues on businesses and productivity of the business, as well as possible solutions to deal with socio-economic issues.

In Grade 12 we will elaborate on the meaning of social responsibility, its implications on businesses, and the strategies of how to deal with some socio-economic issues. We will learn about the triple bottom line, corporate social responsibility, and corporate social investment.

## Unit 13.1 Understanding social responsibility

Businesses have an obligation towards all their stakeholders, and also towards the community. They must maintain a balance between the economy and the environment, and also consider the well-being of others.

Businesses must always keep the laws and legal requirements of the government in mind during their operations. For example, businesses must consider the legal requirements on harmful emissions and dangerous substances in their processes or products. They must also be careful not to exploit natural resources.

Businesses must also be actively involved in the community and look after the environment.

## The meaning of social responsibility

In today's world, it is the responsibility of every citizen and organisation to contribute towards the well-being of the community and the environment in which they live. Business have the responsibility to balance their operations between economic development, the well-being of the community, and looking after the environment.

This responsibility can take the form of:

- avoiding any actions that could harm the environment, for example, exploiting natural resources
- implementing initiatives that can benefit the society.



### QR CODE

Triple bottom line.



<https://www.youtube.com/watch?v=VvFRB7HuLgo>

### Tip

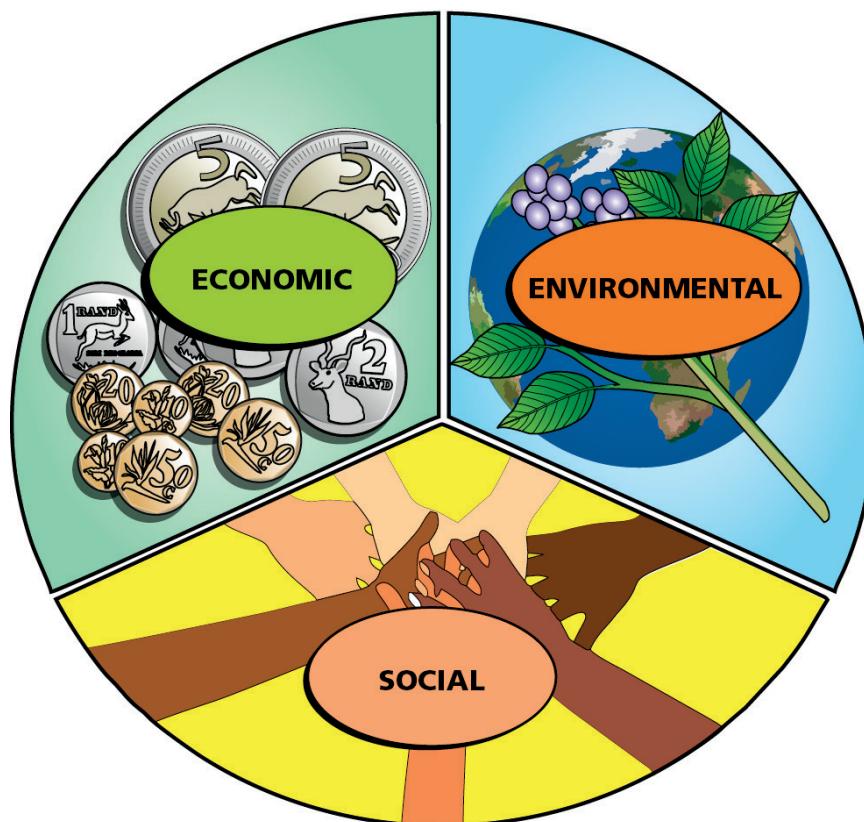
All businesses must strive to maintain a balance between the three pillars of the triple bottom line.



## The relationship between social responsibility and the triple bottom line (TBL)

### Introduction to the triple bottom line (TBL)

The triple bottom line suggests that business should commit to measuring their social and environmental impact in addition to their financial performance rather than solely focusing on generating profit. It can be broken down into "three Ps": people, profit, and planet.



This illustration describes the three aspects of the triple bottom line.

## The link between social responsibility and the triple bottom line

### People/Social

- Businesses/organisations should not harm or exploit people, their employees, customers, or the community.
- Businesses should engage and invest in sustainable community programmes or projects that will benefit and/or uplift communities.
- Businesses should contribute to the well-being of all their stakeholders.

### Profit/Economic

- The triple bottom line means that businesses should not only focus on their profit and charge high prices but should also invest in CSI projects.
- Businesses should not make a profit at the expense of their community.

### Planet/Environment

- Businesses should not exhaust resources or harm the environment for production or to gain profit for themselves.
- They should support energy-efficient or eco-friendly products and production methods.
- They must take part in recycling or re-use of waste, for example, making use of recycled material for packaging or in products.

## Examples of companies with TBL-strategies

- Unilever aims to reuse 100% of plastic packaging by 2025.
- DHL aims to reach zero emission by 2050.
- Patagonia reuses old clothes.
- The Coca-Cola Company plans to achieve a major recycling initiative by 2030.
- Apple achieved 100% green energy.

[Source: Adapted from <https://bstategyhub.com/what-is-triple-bottom-line-tbl-explained-with-examples-the-future-benchmark/>, accessed 13 May 2021]

## Ways in which a business project can contribute towards the community

- The business can make a charitable contribution to NGOs, for example, how the 'Chefs that care' contributes towards the communities within which they operate.
- The business can be involved in community education, for example, the 'Take a child to the workday' initiative.
- The business can employ members of the local community in their projects for the community, for example, Granny's Green Nursery.
- Businesses can encourage their employees to participate in volunteer programmes that are taking place in the local community, for example, Grand West School Renovation Programmes.

### Activity 13.1 Classwork/Homework

#### QUESTION 1

- 1.1 Name the THREE elements of the triple bottom line. (3)
- 1.2 Elaborate on the meaning of *social responsibility*. (6)  
[9]

### Tip

Ensure that you know the link between social responsibility and the triple bottom line very well. You may be required to explain/discuss the relationship/link between social responsibility and triple bottom line. You may also be required to identify the THREE P's of the triple bottom line from different scenarios.

### Tip

Ensure that you do not confuse this content with ways in which businesses can improve the well-being of the community. Ways in which businesses can improve the well-being of the community is done in detail on page 312.

### QR CODE

Plant Nursery in Cape Town:  
Grannies Nursery



<https://www.youtube.com/watch?v=BhuseL3iBql>

**Tip**

Ensure that you are able to identify/name the following socio-economic issues from given scenarios/statements:

- HIV/Aids
- Unemployment
- Poverty

An exemplar activity has been provided below.



## Unit 13.2 Socio-economic issues

### Introduction to socio-economic issues

Socio-economic issues are problems/challenges that emanate from certain aspects in the society and the economy. They have a negative influence on both communities and businesses. In Grade 11 you have dealt with the impact of various socio-economic issues on business operations. In Grade 12 the focus will be on the following contemporary socio-economic issues: HIV/AIDS, poverty and unemployment.

### Exemplar activity on the identification of socio-economic issues

#### QUESTION 1

Read the scenario below and answer the questions that follow.

**Tip**

Ensure that you use the correct terms when identifying/naming the socio-economic issues.

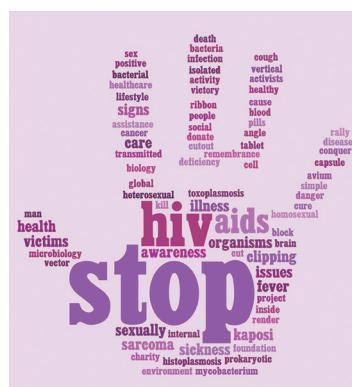
#### BENJA SUPERSPAR (BS)

Benja Superspar is located in an area where 30% of the community is not economically active. Some people are unable to satisfy their basic needs, so BS decided to give 50 food parcels every month to families in need. Some employees take leave often to collect their Antiretroviral Treatment (ART) from local clinics.

- 1.1** Identify THREE socio-economic issues posing challenges to BS. Motivate your answer by quoting from the scenario above.

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

SOCIO-ECONOMIC ISSUE	MOTIVATIONS
HIV/AIDS ✓✓	Some employees take leave often to collect their Antiretroviral Treatment (ART) from local clinics. ✓
Unemployment ✓✓	Benja Superspar is located in an area where 30% of the community is not economically active. ✓
Poverty ✓✓	Some people are unable to satisfy their basic needs, so BS decided to give 50 food parcels every month to families in need. ✓



### Strategies to deal with HIV/AIDS, unemployment, and poverty

#### Strategies to deal with HIV/AIDS

- Participate in the existing HIV/AIDS prevention programmes implemented in the community.
- Train/Hire counsellors to provide counselling to infected and affected persons/employees.
- Develop counselling programmes for infected employees and their relatives.
- Conduct workshops on HIV/AIDS programmes and support HIV/AIDS campaigns.
- Roll out anti-retroviral (ART) treatment programmes (ART) for the infected employees.

- Encourage employees to join HIV/AIDS support groups.
- Develop and implement strategies to deal with stigma and discrimination.
- Support non-governmental organisational and community-based organisations on HIV/AIDS initiatives.

## Strategies to deal with unemployment

- Provide skills development training within the community through learnerships programmes.
- Offer bursaries to the community and employees to improve their level of education.
- Create jobs for members of the community in the business.
- Conduct entrepreneurial programmes that can promote self-employment.
- Support existing small businesses to grow, with time and money, to enable them to create more employment opportunities.
- Use members of the community for implementing CSI projects in the community.



### Tip

Ensure that you know this topic very well. You may be required to recommend/suggest ways/strategies in which businesses can deal with HIV/AIDS, poverty and unemployment.



■ Initiative of food parcels contributing to uplift the standard of living

## Strategies to deal with poverty

- Donate money and/or food parcels to local NGOs.
- Invest in infrastructure and housing programmes in the local area.
- Offer the best volunteering programs to identify and attract potential employees.
- Support poverty alleviation programmes that are offered by the government.
- Invest in young starting businesses who can be a business competitor, buyer, or supplier.

## Ways in which businesses can contribute time and effort in improving the well-being of their employees and communities

### Ways in which businesses can contribute time and effort in improving the well-being of their employees

- Pay fair wages/salaries to the workers based on the nature of their work and the prevailing economic conditions in the market.
- Pay fair bonuses – based on business earnings – as acknowledgement for hard work and commitment.
- Provide recreational facilities for employees and encourage them to stay fit and healthy.
- Include safety, medical, and canteen facilities as additional benefits employees can enjoy. Also include benefits like housing, leave and retirement packages.
- Start a nutritional programme so that employees can enjoy one meal per day to keep them in a healthy condition.
- Provide transport for employees who unusually work long hours.
- Conduct team-building sessions to improve employees' morale.



### Take note

The summary of strategies is at the end of the topic.



**Tip**

Ensure that you know the ways in which businesses can contribute time and effort in improving the well-being of communities.

## **Ways in which businesses can contribute time and effort in improving the well-being of communities**



- Businesses should aim to improve the general quality of life of their community, for example, by offering skills development courses and bursaries.
- Make sure that the product they supply does not harm consumers and/or the environment.
- Refrain from engaging in illegal or harmful practices such as employing children under the legal age or selling illegal substances.
- Exercise ethically correct business practices, for example, not engaging in unethical advertising.
- Donate money and/or time to community projects.
- Provide needed facilities for sport and recreational purposes to promote social cohesion and healthy activities.

**Tip**

When required to motivate your answer by quoting from a scenario, use the exact words from the scenario.

The strategy in (1.1.2) must link with the socio-economic issue.

### **Activity 13.2**

#### **QUESTION 1**

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

#### **HASHMI ENTERPRISES (HE)**

Hashmi Enterprises is located in a poverty-stricken area where people cannot afford their basic needs. Many people in the community are unemployed. Employees at HE who are living with HIV/AIDS are often absent from work.

**1.1.1** Name THREE socio-economic issues mentioned in the scenario above. (3)

**1.1.2** Recommend ways in which HE can deal with EACH socio-economic issue identified in QUESTION 1.1.1. (6)

**1.2** Suggest ways in which businesses can contribute time and effort in improving the well-being of employees. (8)

[17]

# Unit 13.3 Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)

## Definition /meaning of Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is the continuous commitment of a business to act ethically, contribute to economic development, and positively affect its stakeholders.



## Purpose of CSR

There are various reasons why businesses implement CSR programmes. It can be one or a combination of the following:

- Society expects of their contributions, and they want to live up to society's expectations, for example, by looking after the wellbeing of the community.
- They want to comply with the expectations of government and the law, for example, by not exploiting natural resources.
- The business can gain economic advantages, for example, by gaining credits for controlling carbon emissions.
- The business's policies should consider ethical issues, for example, they decide to cut on their emissions in the production process.
- Business operations address the triple bottom line through CSR programs to be listed on the JSE SRI.

## Components of CSR

The components of Corporate Social Responsibility include the following aspects:

- **Environment** – Businesses must take care of the environment by participating in environmental programmes like recycling waste, reducing their carbon emissions, and so on.
- **Ethical corporate social investment** – The business is compelled to look after human rights like respect for employees, customers, and suppliers. For example, they must ensure good treatment of workers, safe products for customers, and fair trade with suppliers.
- **Health and safety** – The business must ensure that the working environment is safe for all stakeholders.
- **Corporate governance** – The business must always be accountable, transparent, and comply with the law, as suggested by the King IV code.
- **Business ethics** – Every business must integrate its core values like honesty, respect, and fairness into all its policies and practices.
- **Employment equity** – To comply with the laws, the business must have diversity, equity, and equality in the workplace as prescribed by the EEA and other Acts.
- **Supply chain/Distribution channel** – Bad practices of business associates reflect negatively on the business. They must influence the entire supply chain to take part in good CSR practices.
- **Customers** – Customers consider the manner in which goods and services are produced by the business, in addition to the cost and quality. Customers are also concerned with the impact of the business's practices on the environment and community.
- **Community** – A business must be in close contact with its community to know their real needs, issues, and risks before the business can develop a CSR strategy for the community.

### Tip

If you are required to answer a question on the components of CSR, use the key word in a full sentence.

### QR CODE

Corporate Social Responsibility (CSR).



[https://www.youtube.com/watch?v=E0NkGtNU\\_9w](https://www.youtube.com/watch?v=E0NkGtNU_9w)

 **Take note**

Take note that the impact of CSR and CSI on the business is the same. Likewise the impact of CSR and CSI on the community is the same.

## Impact of Corporate Social Responsibility (CSR)/Corporate Social Investment (CSI) on businesses and communities

The business has the responsibility to take part in CSR/CSI in order to gain the benefits thereof. But they must also take the challenges and problems of CSR/CSI into consideration, before deciding how to be involved in the community.

### The impact of CSR/CSI on businesses

Positives/Advantages for the business	Negatives/ Disadvantages for the business
<ul style="list-style-type: none"> <li>• CSI may attract experienced employees and increase the productivity of the business.</li> <li>• The business may have a competitive advantage, resulting in good publicity in the media.</li> <li>• CSI promotes customer loyalty, which may result in more sales.</li> <li>• They can use CSI as a marketing strategy to promote their products.</li> <li>• CSI helps to attract investors when the business is included in the JSE SRI.</li> <li>• Businesses gain tax advantages such as tax reduction or tax rebates.</li> </ul>	<ul style="list-style-type: none"> <li>• CSR programmes could be taken for granted by the community and customers may not buy the business's products.</li> <li>• It is difficult for small and medium enterprises to implement CSR programmes.</li> <li>• Businesses are expected to draw up detailed reports, which can be time-consuming.</li> <li>• Social involvement is funded from business profits which could have been used to the benefit of customers and reduce prices.</li> <li>• CSR activities distract business focus from its core business functions.</li> <li>• Businesses find it difficult to adhere to legislation governing CSR.</li> </ul>

### The impact of CSR/CSI on the community

Although CSR/CSI has many positives/advantages for a community, they do also present negatives/disadvantages. It is the responsibility of the business to ensure that the desired aims of CSR/CSI is filtered to the correct members of the community.

Positives/Advantages for the community	Negatives/Disadvantages for the community
<ul style="list-style-type: none"> <li>• The welfare of the community will improve because issues that the community members face will be attended to.</li> <li>• Skills development can take place, which will, in turn, increase the possibility of appointments of members of the community.</li> <li>• Developmental programmes which the business implements, will improve the entrepreneurial skills of communities.</li> <li>• The provision of bursaries increases the level of education and enables the community to apply for jobs.</li> <li>• Better educational and recreational facilities are established in poor communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses are not always equipped to address social problems.</li> <li>• If community members become too dependent on CSR programmes, they may struggle to make use of initiatives made available to them.</li> <li>• Businesses could be accused of discrimination if they don't manage the distribution of scarce resources well.</li> <li>• Some businesses only participate in CSR initiatives to raise profits and do not care for the community in which they operate.</li> <li>• If CSR programmes are not sustainable, they can harm the community.</li> <li>• Unless a needs analysis is performed, the program may not suit the real needs of the community.</li> </ul>

## Corporate Social Investment (CSI)

### The meaning of CSI

Corporate Social Investment (CSI) is the funds and/or other assets from the business allocated to a project that aims to improve the standard of living of members of the community.

CSI projects are external to the normal business activities of a company, and its intention should not be to directly increase the company's profit. These projects have a strong developmental approach and utilise company resources to benefit and uplift communities.



### The purpose of CSI

Although the original aim of CSI was **philanthropic**, businesses realised that they could also benefit from CSI. Their reputation will improve, and the government and communities gradually expect more contributions from businesses towards CSI.

- It aims at contributing towards the sustainable development of its immediate communities.
- The law and government require a business to make CSI contributions.
- CSI projects reveal a positive business attitude towards the local community and help the community to develop.
- The CSI projects are long-term investments and must be sustainable.
- CSI is essential for the South African context because there is a great need to uplift the standard of living of communities.

### CSI focus areas

CSI focus areas are common amongst many businesses. Businesses must consider the following focus areas when planning for CSI initiatives:

- community
- rural development
- employees
- environment.

### Examples of CSI projects

The Corporate social projects chosen by an organisation will depend on the focus area of the business. However, the aim of the project must always be to improve the social and environmental conditions.

- Poverty alleviation by donations to local organisations.
- Being involved in conservation projects, for example, participating in recycling projects.
- Delivering services that government is unable, for example, building infrastructure.
- Investing in job creation projects for members of the community.
- Providing adult basic education, for example, conducting reading classes for adults.
- Teaching entrepreneurial skills by conducting courses to young entrepreneurs.
- Sponsoring arts and culture programmes, for example, by sponsoring youth culture festivals
- Establishing programmes to promote early childhood development, for example, developing a nursery for the children of their employees.

### Tip

CSI refers to investment of corporate funds/other assets for the primary purpose of achieving social outcomes.

### A New words

**philanthropic** acts that aim to uplift others and their circumstances

### Take note

Read more on CSI: [www.csisolutions.co.za>whycsi](http://www.csisolutions.co.za>whycsi)

**Enrichment Activity 1**

Conduct research on practical examples of CSI projects in South Africa and present your findings to the class.

**ENRICHMENT ACTIVITY 2: CASE STUDY****Chefs That Care**

DATE: January 2017



The Chefs that Care initiative was born from the desire of Grand West's food and beverage team to use their skills and passion to make a positive impact on the lives of those less fortunate in the surrounding communities.

With unemployment rife and with the high cost of living in many Western Cape communities, the reality is that many people do not have access to even one balanced meal a day. Among the most marginalised

and most affected are children and the elderly. Sadly, their nutritional requirements are not being met, and this has resulted in a compromised quality of life and poor health.

Between August 2016 and January 2017, Chefs that Care helped feed 100 adults once a month at the First Feed Elim Night Shelter. Other interventions include feeding children and adults in Mitchells Plain, Pelican Park, Ottery, Strandfontein and Schaapkraal.

*[Source: Adapted from <https://www.suninternational.com/grandwest/stories/press-releases/grandwests-chefs-that-care-feed-hope-in-mitchells-plain/>, accessed on 12 May 2021]*

**Class activity**

- 1 Identify the socio-economic issue addressed in the case study above.
- 2 Discuss the advantages of corporate social investment (CSI) for the community.

## Differences between Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)

Originally CSR and CSI were used as synonyms, but in new literature, it is seen as two separate concepts. CSR now refers to an organisation's responsibility towards the community and environment in which it operates. CSI will aim to uplift the community in which the business operates. CSI is a sub-component of CSR.

Corporate Social Responsibility (CSR)	Corporate Social Investment (CSI)
• The intention is to change business practices.	• Actively committing money and resources to uplift the community.
• The focus is on increasing image and profits.	• The focus is on the upliftment of the community without a return on investment.
• Ensure that all internal CSI policies/practices include stakeholders' interests/environmental issues.	• Ensure that CSI projects are relevant to the needs of communities.
• Often intended as a marketing initiative.	• Intended to benefit and uplift communities through social development.
• Projects are usually linked to the business, for example, a manufacturing business offering to train the unemployed.	• Projects are external to the business and have a strong developmental approach.



### Tip

Ensure that you are able to differentiate between CSR and CSI.

CSR is the responsibility of the business towards the community and the environment. Whereas, CSI is the donation of money and resources to the community.

The differences do not have to be presented in a table, but the differences must be clear. Know the differences well.

### Activity 13.3 Classwork/Homework

#### QUESTION 1: BUSINESS ROLES (SOCIAL RESPONSIBILITY, CSR AND CSI)

Businesses are required to address socio-economic issues through corporate social responsibility (CSR) and corporate social investment (CSI) initiatives. Businesses must know the purpose of CSI, as well as the differences between CSR and CSI. There is also a direct link between social responsibility and the triple bottom line. Businesses must bear in mind the impact of CSR on communities.

Write an essay on social responsibility, CSR and CSI in which you include the following aspects:

- Outline the purpose of CSI.
- Distinguish between CSR and CSI.
- Explain the link between social responsibility and the triple bottom line.
- Advise businesses on the advantages of CSR for communities.

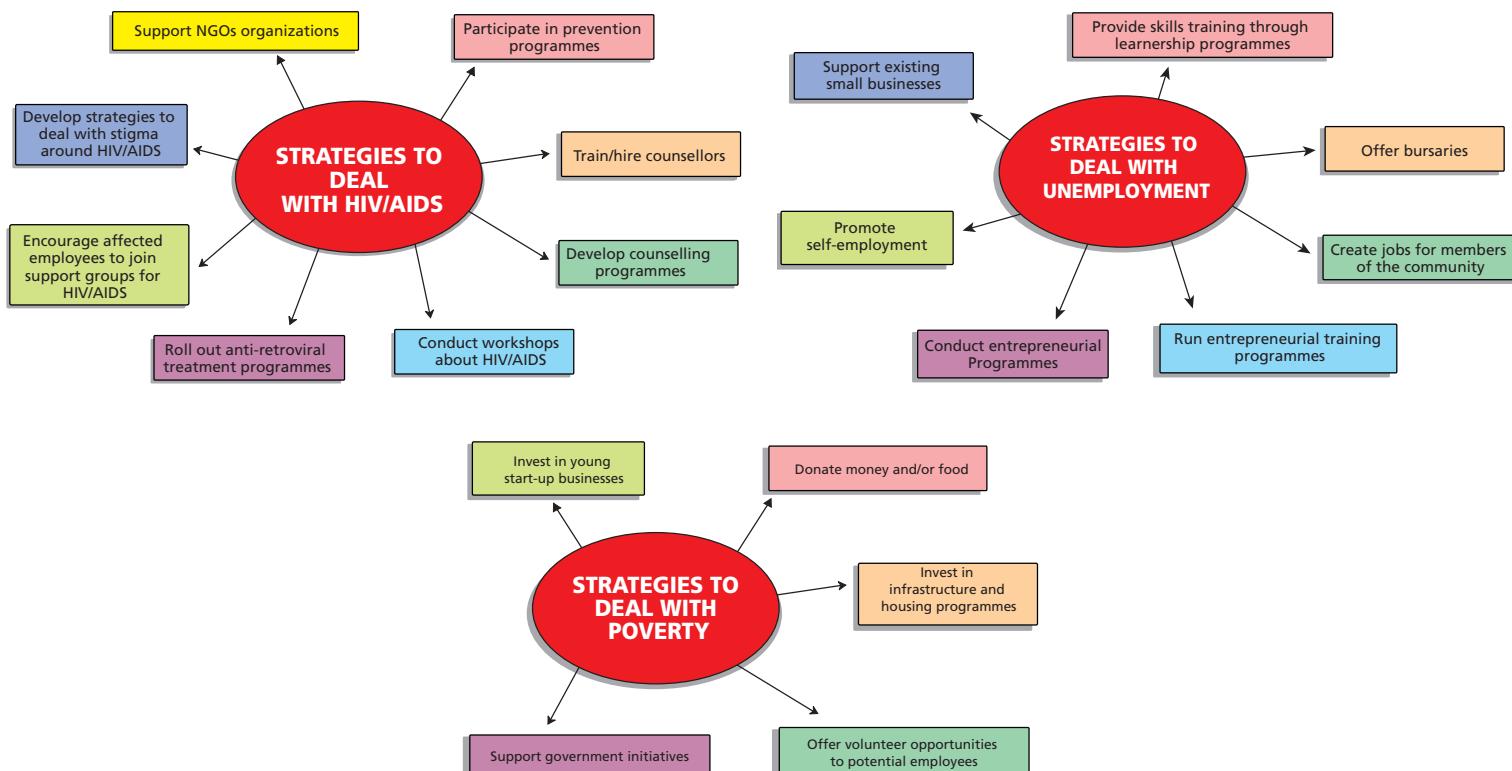
[40]

### Take note

The following diagrams can be used as a revision summary for strategies on socio-economic issues.

### Mind map: Topic 13 – Social responsibility and corporate citizenship

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



### Take note

The following can be used by learners to revise CSR and CSI but they must use the content covered in this topic for detailed explanations.

Components Of CSR	Disadvantages for the business	Advantages for the business	Purpose of CSR
<ul style="list-style-type: none"> <li>• Environment</li> <li>• Health and safety</li> <li>• Corporate governance</li> <li>• Business ethics</li> <li>• Employment Equity</li> <li>• Ethical Corporate social investment</li> <li>• Supply chain</li> <li>• Customers</li> <li>• Community</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult for small business to implement</li> <li>• CSR programmes are taken for granted.</li> <li>• Detailed reports are time-consuming</li> <li>• CSI is funded from company profit.</li> <li>• CSR activities distract the focus of the business</li> <li>• Legislation to govern CSR is difficult to adhere</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity improve</li> <li>• Good publicity – competitive advantage</li> <li>• More sales due to loyalty</li> <li>• CSI can be used as a marketing strategy</li> <li>• Helps to attract investors</li> <li>• Business gains tax advantages</li> </ul>	<ul style="list-style-type: none"> <li>• Expected by society.</li> <li>• Expected by government</li> <li>• Gain economic advantages</li> <li>• Apply ethical values of business</li> <li>• Get listing on JSE</li> </ul>

Focus areas of CSI	Examples of CSI projects	Disadvantages for the community	Advantages for the community
<ul style="list-style-type: none"> <li>• Community</li> <li>• Rural development</li> <li>• Employees</li> <li>• Environment</li> <li>• HIV/Aids</li> <li>• Education and training</li> <li>• Entrepreneurial development</li> </ul>	<ul style="list-style-type: none"> <li>• Poverty alleviation by donations</li> <li>• Conservation projects</li> <li>• Provide services that government is unable to give</li> <li>• Investing in job creation projects</li> <li>• Providing adult basic education</li> <li>• Teaching entrepreneurial skills</li> <li>• Sponsoring arts and culture programmes</li> <li>• Establishing programmes to promote early childhood development</li> </ul>	<ul style="list-style-type: none"> <li>• Harm is done if program is not sustainable</li> <li>• Business is not equipped for CSR</li> <li>• No initiative from community</li> <li>• Businesses do not really care for the community</li> <li>• Sometimes it is not the real need of the community</li> </ul>	<ul style="list-style-type: none"> <li>• Welfare will improve</li> <li>• Skills development will improve possibility of jobs</li> <li>• Entrepreneurial skills will improve</li> <li>• Better level of education will improve possibility of jobs</li> <li>• Better facilities for community</li> <li>• Better health due to better medical infrastructure</li> </ul>

### 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 – 1.1.2) in your notebook, for example, 1.1.3 D.

1.1.2 BMB Bank's contribution of R50 000 to buy computers for the IT classroom in the high school of the local community, is their ... project.

- A corporate governance
- B corporate social investment
- C corporate social responsibility
- D triple bottom line

1.1.2 The elements of the triple bottom line:

- A people; planet; pleasure
- B places; planet; profit
- C people; planet; profit
- D pride; planet; pleasure

(2 × 2) (4)

1.2 Name FOUR CSI focus areas.

(4)

[8]

#### QUESTION 2

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

##### AMILE TRADERS (AT)

Amile Traders provides food parcels for the local community members living in poverty. The initiative has been beneficial for AT. The business has enjoyed more support from the community. They also managed to attract experienced employees.

2.1.1 Quote TWO advantages of CSI for Amile Traders as a business.

(2)

2.1.2 Explain the disadvantages of CSI on Amile Traders.

(6)

[8]

## TERM 3

14

# Presentations and data responses



## TOPIC OVERVIEW

- [Unit 14.1 Factors that must be considered when preparing for a presentation](#)
- [Unit 14.2 Areas of improvement in the next presentation](#)
- [Unit 14.3 Impact of SIX visual aids](#)



## Learning objectives

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

- ❖ outline/explain/discuss factors that must be considered when preparing for a presentation (before the presentation)
- ❖ outline/explain factors that must be considered by the presenter while presenting, for example, maintain eye contact/use visual aids effectively/move/do not speak fast/use pauses effectively, and so on (during the presentation)
- ❖ identify factors that must be considered when preparing for a presentation and during the presentation from given scenarios/case studies
- ❖ explain how to respond to questions after a presentation in a non-aggressive and professional manner (after the presentation)
- ❖ quote ways in which the presenter can handle feedback/questions in a non-aggressive and professional manner from given scenarios/case studies
- ❖ suggest/recommend ways in which the presenter can handle feedback in a non-aggressive and professional manner
- ❖ explain/suggest/recommend areas of improvement in the next presentation
- ❖ identify areas of improvement in the next presentation from given scenarios/case studies
- ❖ outline/explain aspects that must be considered when designing a multimedia presentation, for example, start with the text, select the background/choose relevant images/create graphs, and so on
- ❖ give examples of non-verbal presentations, for example, written reports, scenarios, types of graphs (for example, line, pie, bar charts, and so on), as well as other non-verbal types of information such as pictures and photographs



## Learning objectives

- ❖ explain/discuss/evaluate the impact of the following visual aids:
  - PowerPoint/data projector
  - overhead projectors/transparencies
  - handouts/flyers/brochures
  - flip charts
  - interactive whiteboard/smartboards
  - posters/signs/banners/portable advertising stands/flags
- ❖ identify visual aids from given scenarios/statements.



## Key concepts

- **Presentation:** the act of communicating information/data to an audience/stakeholders in an organisation.
- **Data response:** interpretation and analysis of information provided.
- **Feedback:** information about a presentation by an audience that is used as a basis for improvement.
- **Verbal presentations:** a method of conveying a message using spoken words.
- **Non-verbal presentation:** presentation of information to an audience without using spoken words.
- **Visual aids:** charts/pictures/images that help to clarify a point/enhance a presentation.
- **Multimedia presentation:** infusion of sound and video into a presentation.
- **Poster:** refers to a large sheet of paper/cardboard promoting certain products/services/events posted on public street poles/walls/inside a venue.
- **Interactive whiteboards:** electronic whiteboard on which images from a computer screen can be displayed and changed by the presenter.

## Introduction

In Grade 10 and Grade 11 the topic presentation of business information was covered. In Grade 10 you were introduced to support materials like graphs/diagrams, symbols/ pictures. Factors that must be considered when preparing for a verbal presentation were outlined to you. Factors that must be considered when designing a presentation were explained. You were exposed to audio-visual aids and the reasons for the use thereof in presentations.

In Grade 11 you had to distinguish between verbal and non-verbal presentations. You were introduced to different types of visual aids e.g., tables/graphs/diagrams/posters/handouts etc. You were also required to identify the types of visual aids from given scenarios/case studies/statements. You were also required to recommend factors that the presenter must consider when preparing a presentation. You were required to critically analyse a business report and recommend areas for improvement. How to handle feedback after a presentation in a non-aggressive and professional manner were explained to you.

## Unit 14.1 Factors that must be considered when preparing for a presentation

### A New words

**stakeholders** persons that have an interest in the business

**complemented** supported by

**precedes** immediately before something

### Presentations and data response

Sharing information and data for planning purposes is critical in any organisation. Information and data must be shared with various **stakeholders** inside and outside the organisation. A presentation is one method of sharing information with stakeholders. The presentation is often **complemented** by various visual aids that enhance the presentation and support the information provided.



■ Presentation of information

The success of any presentation depends on the preparation that **precedes** the presentation. Before the presentation, the presenter must consider several factors that will enhance his/her presentation. Planning for the presentation ensures that any challenges that may occur during the presentation are identified and acted upon.

### Factors that must be considered by the presenter before presenting

The following are some of the factors that must be considered before a presentation:

- Be clear about the purpose of the presentation and write down an outline of the important information that you want to share with your audience.
- Ensure that the main aim of the presentation is captured in your opening statement.
- Include only the information that is important and reliable in your presentation.
- 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.
- Formulate a rough draft of your presentation that includes a logical flow of information from the introduction to the body, and finally to 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 you do not exceed the time allocated to you.



■ Practice the delivery of your presentation

- Prepare yourself for possible clarity-seeking questions that your audience may ask after the presentation.
- Visit the venue of the presentation to ensure that the audio-visual equipment is in working order.
- Prepare/Print hand-outs that you may wish to share with your audience.

## Factors that must be considered by the presenter while presenting

The delivery of the presentation entails speaking to the audience/stakeholders directly. This can be a scary task to even the most experienced presenters. Being nervous whilst waiting for the audience to settle down is a natural occurrence and should not be experienced as failure. Once the audience/stakeholders have settled the nerves will **dissipate** and you will be ready to deliver your presentation.

Consider the following factors during the presentation:

- Establish credibility by introducing yourself as the presenter at the start.
- Mention>Show the most important information first.
- Make the purpose/main points of the presentation clear at the start of the presentation.
- Use suitable section titles/headings/sub-headings/bullets.
- Summarise the main points of the presentation to conclude the presentation.
- Stand in a good position/upright, where the audience can clearly see the presenter/presentation.
- **Refrain** from hiding behind equipment.
- Capture listeners' attention/Involve the audience with a variety of methods.
- Maintain eye contact with the audience.
- Be audible to all listeners/audience.
- Vary the tone of voice/tempo within certain sections to prevent monotony.
- Make the presentation interesting with visual aids.
- Do not rush or talk too slowly.
- Keep the presentation short and simple.

## How to respond to questions after a presentation in a non-aggressive and professional manner

After a presentation, the presenter must be prepared to answer questions from his/her audience/the stakeholders. The audience/stakeholders must be allowed to ask clarity questions from the presenter after his/her presentation. The presenter must be prepared to answer such questions, **cordially**. The answers provided must fill the gaps left out in the presentation.

### Tip

You should not confuse the factors that must be considered while presenting with the factors the factors before or after presenting

### A New words

**dissipate** will disappear

**refrain** avoid doing something

**cordial** in a friendly way

### Tip

You should be able to identify factors that must be considered when preparing for a presentation and during the presentation from given scenarios/case studies.

 QR CODE

How to Handle Questions from Audience | Public Speaking



[https://www.youtube.com/watch?v=ha1efqW-4h0&ab\\_channel=Howcast](https://www.youtube.com/watch?v=ha1efqW-4h0&ab_channel=Howcast)

**Tip**

Handling feedback after a presentation would require a presenter to have good communication and listening skills.



- Be prepared for questions from your audience after the presentation

 QR CODE

Click on this link to test your knowledge for this section. Factors to be considered before, during, and after a presentation.



<https://forms.gle/wwANeG3ue9JAcSQ18>

## Ways in which the presenter can handle feedback in a non-aggressive and professional manner

- The presenter should stand throughout the feedback session.
- Be polite/confident/courteous when responding to questions.
- Ensure that each question/comment is clearly understood before responding/re-phrase questions if uncertain.
- He/she should first listen and then respond.
- Provide feedback as soon as possible after the question was asked or after the session.
- Be direct/honest/sincere when responding to questions.
- Use simple language to support the examples used in the presentation.
- Keep answers short and to the point.
- Apologise/acknowledge his/her errors/mistakes if pointed out by the audience.
- Encourage questions from the audience/investors.
- Always address the questions and not the person.
- Acknowledge good questions to motivate audience to ask more questions.
- The presenter should not involve him/herself in a debate when responding to questions.
- The presenter should not avoid the questions if he/she does not know the answer, but rather promise feedback on it.
- Address the full audience/investors and not only the person who posed the question.

**Tip**

You should be able to quote ways in which the presenter can handle feedback/questions in a non-aggressive and professional manner from given scenarios/case studies.

● ● | Activity 14.1 Classwork/Homework
**QUESTION 1**

- 1.1** Indicate which of the following statements refers to factors that must be considered **before, during, or after** the presentation:

- 1.1.1** Prepare yourself for possible clarity questions that your audience may ask.
- 1.1.2** Include information that is important and reliable.
- 1.1.3** Maintain eye contact with the audience during your whole presentation.
- 1.1.4** Respond only to a question when you are certain that you understand the question that was asked.
- 1.1.5** Link your conclusion to the purpose of the presentation.
- 1.1.6** State the purpose of the presentation.
- 1.1.7** Refrain from becoming involved in a debate/argument with the person/posing the questions.
- 1.1.8** Be familiar with the background of your audience.
- 1.1.9** Don't be afraid to admit mistakes made during the presentation.
- 1.1.10** Use visual aids to enhance the effectiveness of your presentation.

(10 × 1) (10)

## Unit 14.2 Areas of improvement for the next presentation

After any presentation, it is important to reflect on its effectiveness. The presenter needs to consider whether the presentation achieved its desired objectives. An honest/truthful reflection will provide the presenter with the necessary information to improve his/her next presentation.

### Areas of improvement for the next presentation

Consider the following when determining areas of improvement for the next presentation:

- The presenter should revise objectives that were not achieved.
- **Infuse** humour at the appropriate time/s in your presentation.
- Always be prepared to update/keep the information relevant.
- Reflect on any problem/criticism and avoid it in future presentations.
- Any information that the presenter receives as feedback from a presentation should be analysed and where relevant, incorporated/used to update/amend his presentation.
- Reflect on the time/length of the presentation to add/remove content.
- Increase/Decrease the use of visual aids or replace/remove aids that do not work well.
- Reflect on the logical flow of the format/slides/application of visual aids.

#### A New words

**infuse** put in place

**captivate** retain the interest of the audience

### What to consider when designing a multimedia presentation

A multimedia presentation refers to a verbal presentation that is complemented with the use of slides/videos and audio. Multimedia can enhance any presentation and **captivate** the audience. The infusion of the most effective visual aids in a presentation requires thorough planning on the part of the presenter.



- Multimedia presentation includes video and audio

**A New words**

**hyperlinks** a link from one document to the content of another document

Consider the following when designing a multimedia presentation:

- Start your slides with text and a heading.
- Contrast the colour of your text with the colour of the background.
- Avoid using text that is not legible or a font that is too small.
- Choose images that will enhance the message/information that you would like to convey.
- Include appropriate graphics to complement text on the slides.
- Include special effects/sounds/animation in your presentation that will captivate your audience.
- Quick access to other documents/videos/pictures/graphs must be enabled by using **hyperlinks**.
- Refrain from including special effects/sounds/animation that will distract from the main message/information that you would like to convey to your audience.
- Do a spell check before the presentation to eliminate any spelling/grammatical errors from your slide presentation.
- Structure the information on your slides in a logical sequence, which will allow your audience/the stakeholders to follow your presentation.
- Limit the information on each slide to retain the attention of your audience/the stakeholders.

## Examples of non-verbal presentations

Non-verbal presentations refer to the use of various support materials to complement a presentation. The choice of the correct support material is important as it must enhance/support the presentation.

The following support material may be considered:

**Tip**

You should be able to identify the meaning of different graphs from a given descriptions.

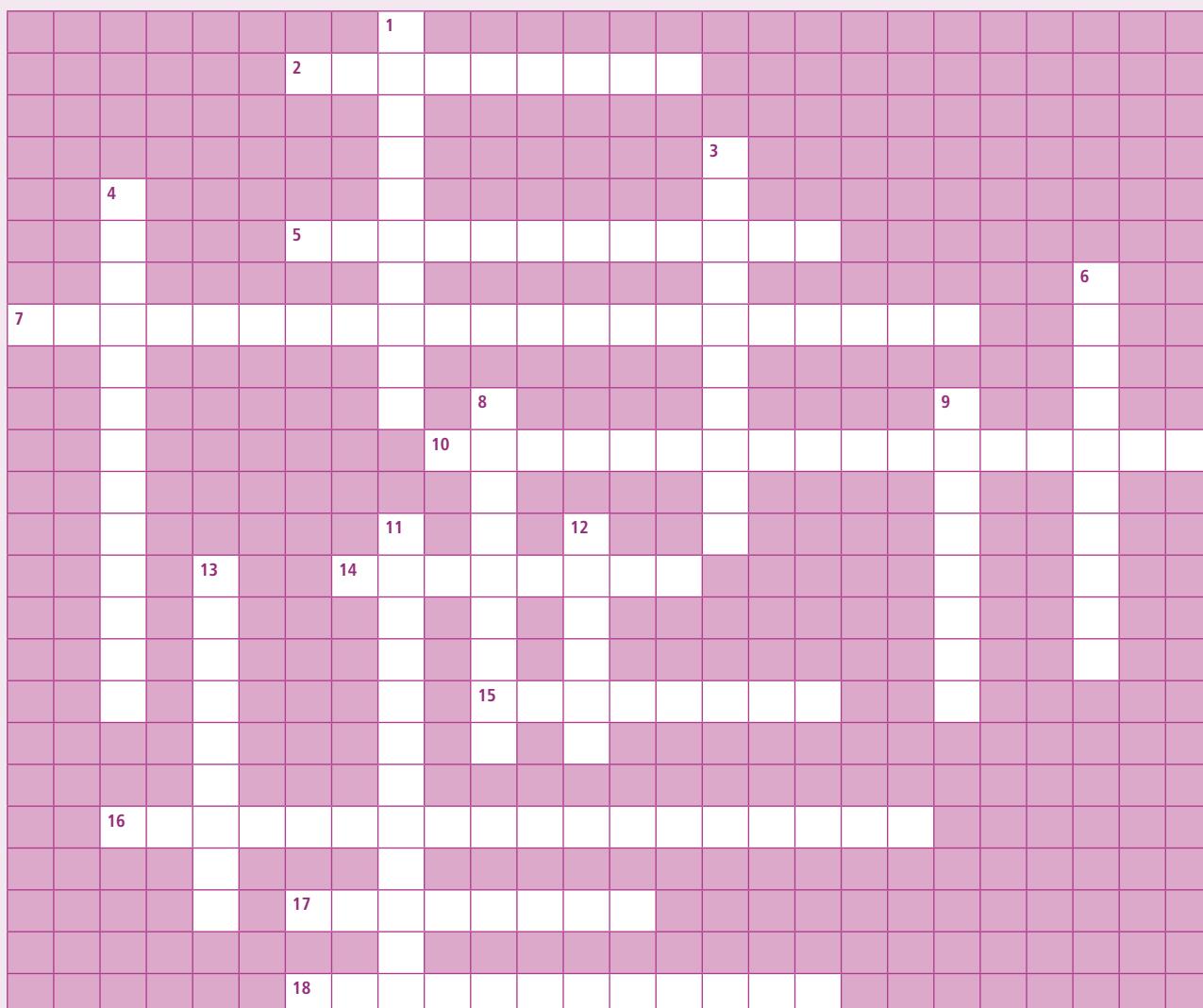


<p><b>1 Tables</b></p> <p>A table is a set of facts and figures arranged in columns and rows.</p>	<table border="1"> <thead> <tr> <th>Pos</th><th>Team</th><th>Pld</th><th>W</th><th>D</th><th>L</th><th>GF</th><th>GA</th><th>GAvg</th><th>Pts</th></tr> </thead> <tbody> <tr> <td>1</td><td>Team A</td><td>2</td><td>1</td><td>0</td><td>1</td><td>3</td><td>1</td><td>3.000</td><td>3</td></tr> <tr> <td>2</td><td>Team B</td><td>2</td><td>1</td><td>0</td><td>1</td><td>6</td><td>3</td><td>2.000</td><td>3</td></tr> <tr> <td>3</td><td>Team C</td><td>2</td><td>1</td><td>0</td><td>1</td><td>1</td><td>6</td><td>0.167</td><td>3</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Pos</th><th>Team</th><th>Pld</th><th>W</th><th>D</th><th>L</th><th>GF</th><th>GA</th><th>GD</th><th>Pts</th></tr> </thead> <tbody> <tr> <td>1</td><td>Team B</td><td>2</td><td>1</td><td>0</td><td>1</td><td>6</td><td>3</td><td>+3</td><td>3</td></tr> <tr> <td>2</td><td>Team A</td><td>2</td><td>1</td><td>0</td><td>1</td><td>3</td><td>1</td><td>+2</td><td>3</td></tr> <tr> <td>3</td><td>Team C</td><td>2</td><td>1</td><td>0</td><td>1</td><td>1</td><td>6</td><td>-5</td><td>3</td></tr> </tbody> </table>	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
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																																																																								
<p><b>2 Graphs</b></p> <ul style="list-style-type: none"> <li>• bar graph</li> <li>• line graph</li> <li>• histogram</li> <li>• pie chart</li> </ul>	<p>A bar graph is a diagram showing how two or more sets of data are related.</p> <p>Chart Title</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Volume</th> <th>High</th> <th>Low</th> <th>Close</th> </tr> </thead> <tbody> <tr> <td>1/5/2002</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> </tr> <tr> <td>1/6/2002</td> <td>120</td> <td>120</td> <td>120</td> <td>120</td> </tr> <tr> <td>1/7/2002</td> <td>140</td> <td>140</td> <td>140</td> <td>140</td> </tr> <tr> <td>1/8/2002</td> <td>120</td> <td>120</td> <td>120</td> <td>120</td> </tr> <tr> <td>1/9/2002</td> <td>130</td> <td>130</td> <td>130</td> <td>130</td> </tr> </tbody> </table>	Date	Volume	High	Low	Close	1/5/2002	100	100	100	100	1/6/2002	120	120	120	120	1/7/2002	140	140	140	140	1/8/2002	120	120	120	120	1/9/2002	130	130	130	130																																																		
Date	Volume	High	Low	Close																																																																													
1/5/2002	100	100	100	100																																																																													
1/6/2002	120	120	120	120																																																																													
1/7/2002	140	140	140	140																																																																													
1/8/2002	120	120	120	120																																																																													
1/9/2002	130	130	130	130																																																																													
<p>A line graph is a diagram, usually a line or curve, which shows how two or more sets of numbers or measurements are related.</p>	<p>Chart Title</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Series 1</th> <th>Column 2</th> <th>Column 1</th> </tr> </thead> <tbody> <tr> <td>Category 1</td> <td>4,5</td> <td></td> <td></td> </tr> <tr> <td>Category 2</td> <td>2,5</td> <td></td> <td></td> </tr> <tr> <td>Category 3</td> <td>3,5</td> <td></td> <td></td> </tr> <tr> <td>Category 4</td> <td>5,5</td> <td></td> <td></td> </tr> </tbody> </table>	Category	Series 1	Column 2	Column 1	Category 1	4,5			Category 2	2,5			Category 3	3,5			Category 4	5,5																																																														
Category	Series 1	Column 2	Column 1																																																																														
Category 1	4,5																																																																																
Category 2	2,5																																																																																
Category 3	3,5																																																																																
Category 4	5,5																																																																																
<p>A histogram is a bar chart used to show how different sets of information compare.</p>	<p>Company diversity by age</p> <table border="1"> <thead> <tr> <th>Age Group</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>&lt; 25</td> <td>698</td> </tr> <tr> <td>(25, 35]</td> <td>1160</td> </tr> <tr> <td>(35, 45]</td> <td>865</td> </tr> <tr> <td>(45, 55]</td> <td>281</td> </tr> <tr> <td>&gt; 55</td> <td>36</td> </tr> </tbody> </table>	Age Group	Count	< 25	698	(25, 35]	1160	(35, 45]	865	(45, 55]	281	> 55	36																																																																				
Age Group	Count																																																																																
< 25	698																																																																																
(25, 35]	1160																																																																																
(35, 45]	865																																																																																
(45, 55]	281																																																																																
> 55	36																																																																																
<p>A pie chart is a circle divided into segments, represented with percentages.</p>	<p>Sales</p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1st Quarter</td> <td>52%</td> </tr> <tr> <td>2nd Quarter</td> <td>22%</td> </tr> <tr> <td>3rd Quarter</td> <td>14%</td> </tr> <tr> <td>4th Quarter</td> <td>12%</td> </tr> </tbody> </table>	Quarter	Percentage	1st Quarter	52%	2nd Quarter	22%	3rd Quarter	14%	4th Quarter	12%																																																																						
Quarter	Percentage																																																																																
1st Quarter	52%																																																																																
2nd Quarter	22%																																																																																
3rd Quarter	14%																																																																																
4th Quarter	12%																																																																																

3 Diagrams	<p>A diagram is a symbolic representation of information using visualisation techniques.</p>	<pre> graph TD     START([START]) --&gt; AnswerPhone[Answer phone]     AnswerPhone --&gt; HelpQ1{How can we help?}     HelpQ1 -- "Product info, or help placing an order" --&gt; TakeName1[Take name and company]     TakeName1 --&gt; Transfer1[Transfer to sales (ex.2107)]     Transfer1 --&gt; Finish1[Finish]     HelpQ1 -- "Shipping problem with product?" --&gt; HelpQ2{What is the problem?}     HelpQ2 --&gt; TakeName2[Take name and company]     TakeName2 --&gt; Transfer2[Transfer to help desk (ex.2219)]     Transfer2 --&gt; Finish2[Finish]     HelpQ1 -- "Other" --&gt; End3((3))     </pre>
4 Illustrations/ Pictures/ Photographs/ Scenarios	<p>An illustration is a decoration, interpretation, or visual explanation of a text, concept, or process.</p>	
5 Written/ Business reports	<p>A written report is a document that presents information in an organised format for a specific audience and purpose.</p>	
6 Flip charts	<p>A flip chart is a stationery item consisting of a pad of large paper sheets, fixed to the upper edge of a whiteboard.</p>	
7 Handouts	<p>A handout is a special view of the presentation suitable to be printed and distributed to the audience.</p>	
8 Slide shows	<p>A slide show is an on-screen presentation of information/ideas presented on slides.</p>	

**•8 | Activity 14.2 Classwork/Homework****QUESTION 1**

Complete the following crossword puzzle by using the clues given below.

**Across**

- 2** Stationery item consisting of a pad of large paper sheet, fixed to the upper edge of a whiteboard.
- 5** Decoration, interpretation, or visual explanation of a text, concept, or process.
- 7** Electronic whiteboard on which images from a computer screen can be displayed and edited by the presenter.
- 10** Online engagement between two or more people that can use video and audio to communicate with each other.
- 14** A diagram showing how two or more sets of data are related.
- 15** A circle divided into segments, represented with percentages.
- 16** Method of conveying a message using spoken words.
- 17** A special view of the presentation suitable to be printed and distributed to the audience.
- 18** Method of conveying a message to an audience/stakeholder.

**Down**

- 1** Support material that is used to enhance/support information that is conveyed.
- 3** On-screen presentation of information/ideas presented on slides.
- 4** Document that presents information in an organised format for a specific audience and purpose.
- 6** Infusion of sound and video into a presentation.
- 8** Curve that shows how two or more sets of numbers or measurements are related.
- 9** Responding to questions posed by the audience.
- 11** Responding to the data/information provided.
- 12** Set of facts and figures arranged in columns and rows.
- 13** Bar chart used to show how different sets of information compare.

(18 × 2) (36)

## Unit 14.3 The impact of SIX visual aids

Presenters are constantly seeking new ways of applying visual aids to enhance the quality of their presentations. The description of various visual aids was dealt with in Grade 11. We will focus on the impact of visual aids in Grade 12. The choice of a particular visual aid has a direct impact on the way the information/data is received by the audience/stakeholders. The impact could be either positive (advantages) and/or negative (disadvantages).

Let's look at the impact of using different visual aids to complement a presentation.

### Tip

When you are required to answer questions on the impact you could either provide only the advantages (positives); only disadvantages (negatives) or sufficient facts that cover both the advantages (positives) and disadvantages (negatives).

### The impact of using a data projector/ PowerPoint presentation

#### Positives/Advantages

- The presentation may be enhanced by the use of visuals/graphics that a data projector/PowerPoint presentation provides.
- Visuals/audio aids like sound/video clips could easily be included in the PowerPoint presentation.
- The stakeholder's/audience's interest in the presentation could be increased if the slides are easy to read and if they have limited text on them.
- The interest of the stakeholders/audience may be attracted by the use of various multimedia in the slides.
- Attracting the attention/keeping the attention of the stakeholders/audience may be achieved through the use of eye-catching backgrounds/fonts/colours on the slides.
- The slides used must complement the presentation/summarise the objectives of the presentation to the stakeholders/audience.

#### AND/OR

#### Negatives/Disadvantages

- The presenter may not know how to operate the Data Projector/PowerPoint presentation.
- The stakeholders/audience may become annoyed with the interruptions caused by the inability of the presenter to operate the Data Projector/PowerPoint presentation.
- The use of a data projector/PowerPoint presentation is not recommended if the stakeholders/audience has visual or sound **impediments**.
- The stakeholders/audience may be distracted by the presenter simply repeating what is displayed on the slides.
- The implementation of load shedding may prevent the presenter from using the Data Projector/PowerPoint slides during his/her presentation.



■ Presenter using a data projector and slides during a presentation

### Did you know

The first version of a PowerPoint for Windows was released in 1990

### New words

**impediments** obstructions that may prevent something from happening

## The impact of using an overhead projector/transparencies



■ Overhead projector

### Positives/Advantages

- Transparencies/Overhead projectors may be used by the presenter to effortlessly explain his/her thoughts during the presentation.
- The transparencies may be prepared in advance using a special transparency pen/the printer of a computer.
- They are effective to use in the event of a computer/data projector that is not functioning/not available.
- Transparencies allow the presenter to project graphics in various colours.
- May be used to guide the presenter when he/she summarises the presentation.

AND/OR

### Negatives/Disadvantages

- The competence of the presenter may be questioned by the stakeholders/audience should the transparencies not be arranged in a logical way.
- The availability of a reliable PowerPoint presentation that is eye-catching may cause transparencies to become **redundant**.
- Transparencies cannot be used in combination with audio/video clips.
- Transparencies are most effective when used in a partially lit room, which makes them most effective when lights are dimmed/switched off.
- Partially lit rooms/dimmed lights make it difficult for the stakeholders/audience to record information for later use.



■ Handouts/Fliers/Brochures are used to provide the audience with additional information

## The impact of using hand-outs/flyers/brochures

### Positives/Advantages

- The presenter may attract the attention of the stakeholders/audience by providing them with useful hand-outs/fliers/brochures before the start of the presentation.
- Important information about the presentation could be provided to the stakeholders/audience after the presentation.
- Any new/additional information could effortlessly be included in subsequent copies of the hand-outs/fliers/brochures.
- The information could be verified by comparing it with the PowerPoint presentation.

AND/OR

### Negatives/Disadvantages

- The information provided is of a visual/graphic nature and sound cannot be added to attract the interest of the stakeholders/audience.
- The availability of support material before the presentation begins may divert the stakeholders/audience's attention from the presentation.

- Issuing handouts at the start of the presentation may divert the audience's attention from your presentation.
- The limited information that is included in the hand-outs/flyers/brochures may not capture the detailed objectives of the presentation.
- The cost of printing is high, and the hard copies may easily be misplaced.
- The author has no control over the illegal distribution of the support material.

## The impact of using flip charts

### Positives/Advantages

- May be used effectively if there is a limited number of stakeholders/audience members present and the presenter wants to emphasise a concept.
- Can be useful when the presenter wants to record a summary of responses received from the stakeholders/audience that requires his attention.
- Brainstorming ideas generated from the stakeholders/audience could be recorded on a flipchart

AND/OR

### Negatives/Disadvantages

- Insufficient time during the presentation may prevent the presenter from using the flipchart effectively.
- The writing of the presenter may not be **legible**, which may negatively affect the standards the presenter strives to maintain.
- A presenter that uses a flip chart often during a presentation may end up with a messy one that may confuse the stakeholders/audience.

### A New words

**legible** able to read

## The impact of using interactive whiteboards/ smartboards

### Positives/Advantages

- Reduces the cost to the organisation of purchasing additional equipment because the information/text/graphics could be projected directly from a computer.
- The availability of special pens allows the presenter to convey his idea/concepts/thoughts directly onto the interactive whiteboard/ smartboard.
- Interactive whiteboards/Smartboards have the functionality of saving additional information that the presenter noted thereon during his presentation
- Sound/Visual aids could effortlessly be used in conjunction with the interactive whiteboard/smartboard.
- Effective to record responses and new proposals from the stakeholders/audience.

AND/OR



- Interactive whiteboards/smartboards allows teacher or a student to interact with the images directly on the screen using a pen or a finger

### Tip

Do not confuse the impact of interactive whiteboards/ smartboards with data projector/PowerPoint presentations



### A New words

**functionalities** different uses

**copyright** the legal right to the owner of an original creation



■ An example of a pull up banner

### Negatives/Disadvantages

- A presenter not skilled in the use of the interactive whiteboard/smartboard may not be able to access all the **functionalities** it offers.
- **Copyrights** linked to certain software prevents the use of interactive whiteboards/smartboards in conjunction with other computers.
- The implementation of load shedding could disrupt the presentation, as this requires a stable supply of electricity.

## The impact of using posters/signs/banners/portable advertising stands/flags

### Positives/Advantages

- Supports the main theme of the presentation if it is visually appealing.
- May contain large pictures/key concepts to highlight important features of a product.
- A poster that is displayed in strategic places within a venue will attract the attention of the audience/stakeholders.
- A valuable visual aid that may be used to promote the vision of an organisation.
- Portable advertising could be placed in different venues/places depending on the movement of consumers/clients.

AND/OR

### Negatives/Disadvantages

- The visual aid may distract the audience/stakeholders from the main message of the presenter's presentation.
- Not suitable for small venues where the poster could be overbearing.
- The visual aid is one-dimensional because it cannot be used with sound/video.
- Posters displayed outside could be damaged/destroyed by weather elements or other elements.



### QR CODE

Benefits of Interactive whiteboard/Smartboard



[https://www.youtube.com/watch?v=2clxCSebFoU&ab\\_channel=SmarterInteractive](https://www.youtube.com/watch?v=2clxCSebFoU&ab_channel=SmarterInteractive)

### Activity 14.3 Homework/Classwork

#### QUESTION 1

- 1.1 List FIVE examples of non-verbal presentations. (5)
- 1.2 Read the scenario below and answer the questions that follow.

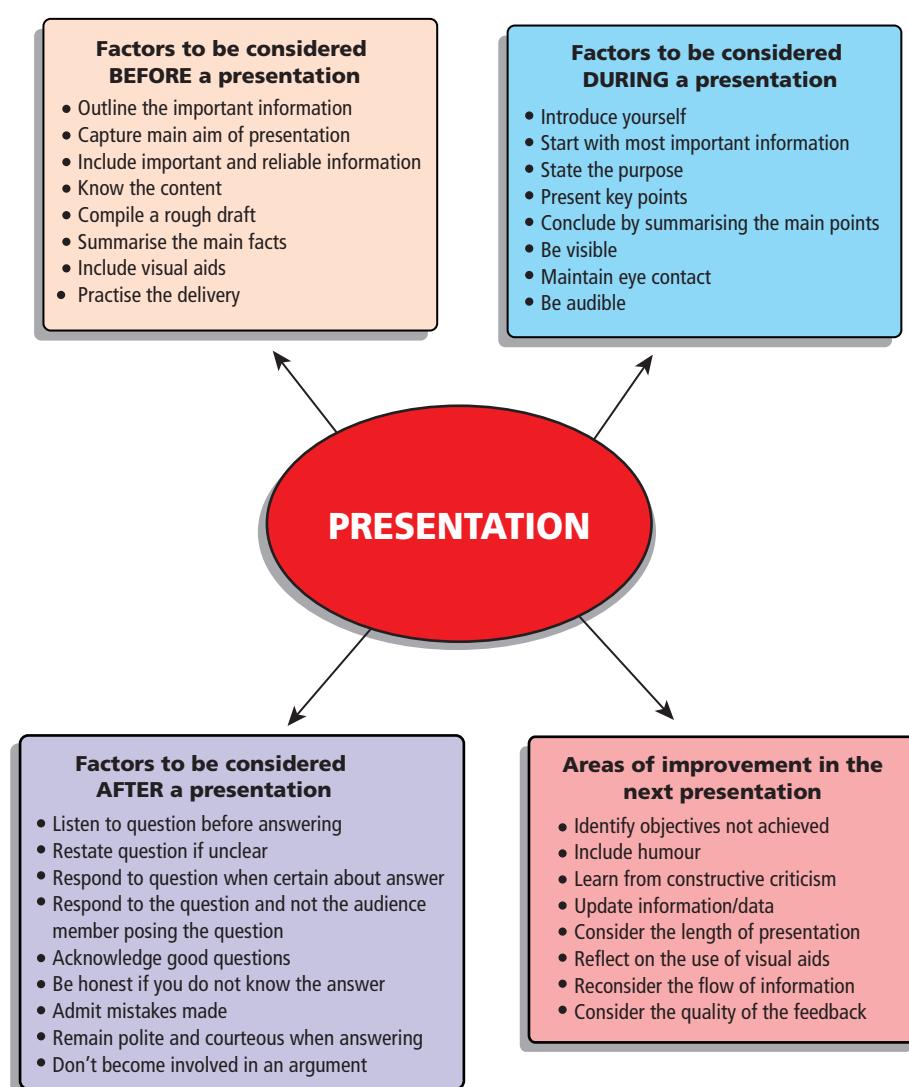
#### ZUKI SPORTS INC (ZSI)

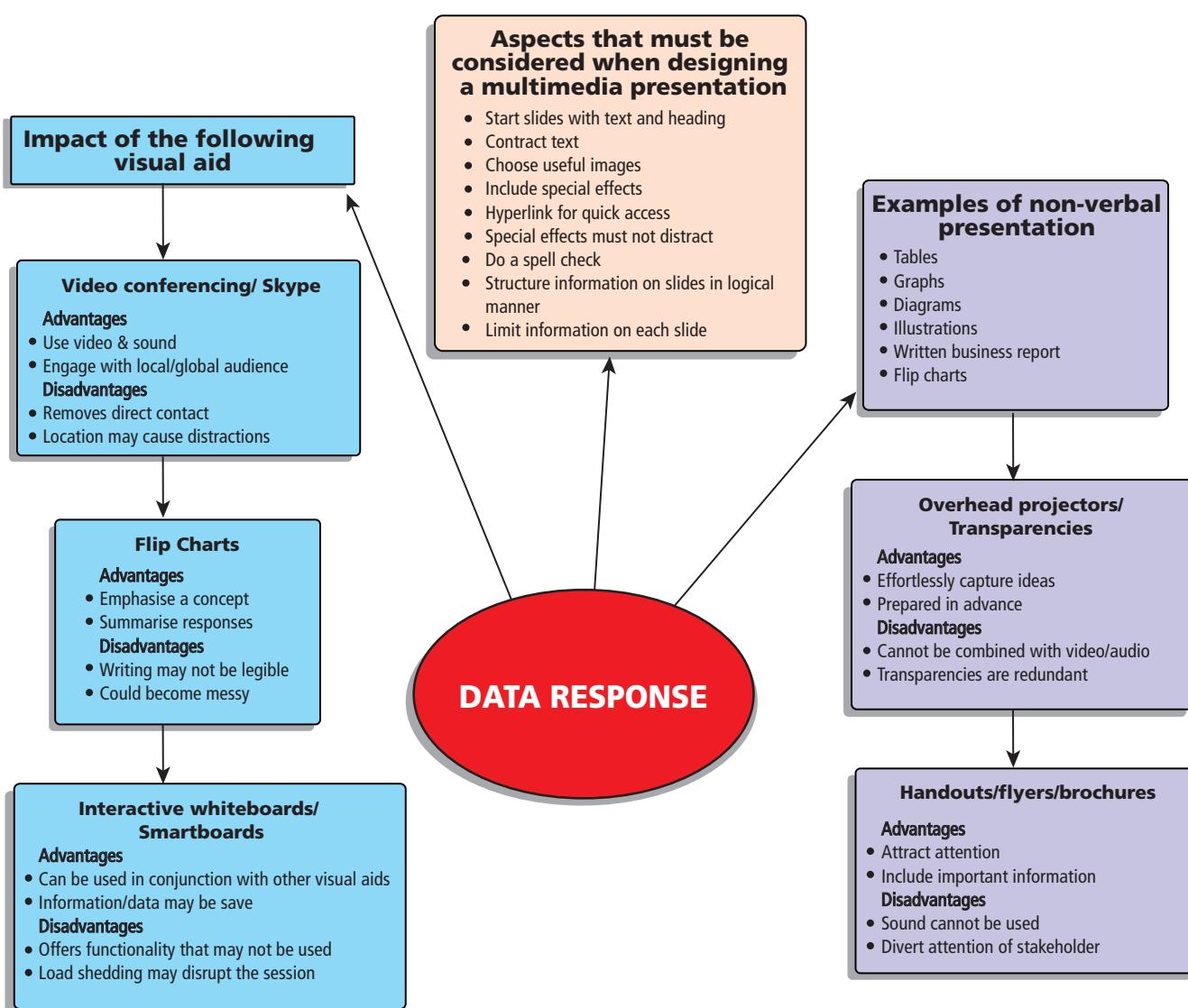
Zuki Sports Inc was invited to motivate the national soccer team. ZSI requested Thembi, the sales manager, to use slides that were projected on a screen during her presentation.

- 1.2.1 Identify the visual aid used by ZSI. Motivate your answer by quoting from the scenario above (3)
- 1.2.2 Discuss the impact of the visual aid identified in QUESTION 1.2.1. (6)
- 1.3 Advise presenters on areas of improvement in their next presentation. (6) [20]

## Mind map: Topic 14 – Presentations and data responses

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.





### 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 – 1.1.5) in your notebook, for example, 1.1.6 D.

1.1.1 The presenter should not argue with the audience. This factor must be considered ... a presentation.

- A before
- B after
- C prior to
- D during

1.1.2 Mandla included ... to complement the slides/videos when he designed a multimedia presentation.

- A audio
- B handouts
- C flyers
- D hyperlinks

## Consolidation

- 1.1.3 Lisa used a ... to illustrate facts and figures arranged in columns and rows to management.  
A flip chart  
B bar graph  
C table  
D illustration
- 1.1.4 Colin submitted a ... of the financial status of the organisation at the Annual General Meeting of Wavecrest Sportware Suppliers.  
A written proposal  
B memorandum of agreement  
C memorandum of understanding  
D written report
- 1.1.5 Load shedding must be considered when using a/an ... as a visual aid to show information from a computer screen onto a screen.  
A data projector  
B brochure  
C poster  
D overhead project

(5 × 2) (10)

## QUESTION 2

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

### WYATT'S PRESENTATION

Wyatt, a financial manager, presented his annual report during a Board Meeting. He prepared handouts to share with the board members. He also rehearsed to ensure a confident presentation. Wyatt projected his voice and spoke clearly to the board members.

- 2.1.1 Quote TWO factors that Wyatt considered when preparing for his presentation. (2)  
2.1.2 Explain other factors that Wyatt must consider when preparing for a presentation. (8)  
2.2 Recommend ways in which the presenter can handle feedback in a non-aggressive and professional manner. (8)

[18]

## QUESTION 3: BUSINESS VENTURES (PRESENTATION OF BUSINESS INFORMATION)

Presenters realise the importance of including a multimedia presentation when designing a presentation. Many presenters prefer to use interactive whiteboards and handouts when doing a presentation. Presenters must reflect on their previous presentations so that they can improve in the next presentation.

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

- Outline the factors that must be considered before a presentation.
- Explain the aspects that must be considered when designing a multimedia presentation.
- Discuss the impact of the following visual aids:
  - » Interactive whiteboards/smartboards
  - » Handouts/flyers/brochures
- Suggest areas of improvement for the next presentation to businesses.

[40]

## TERM 3

15

# Forms of ownership: Criteria for success and/or failure



## TOPIC OVERVIEW

- [Unit 15.1 Forms of ownership](#)
- [Unit 15.2 Meaning of limited liability and unlimited liability](#)
- [Unit 15.3 Criteria that will be used to evaluate the success and/or failure of forms of ownership](#)
- [Unit 15.4 Forms of ownership and the contribution of the criteria to the success and/or failure of each form of ownership](#)



## Learning objectives

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

- ❖ explain/discuss the characteristics of each form of ownership
- ❖ explain the meaning of limited liability and unlimited liability
- ❖ discuss/explain/evaluate the impact of the different forms of ownership
- ❖ explain/discuss how the following criteria could contribute to the success and/or failure of each form of ownership:
  - tax implications
  - management
  - capital
  - division of profits
  - legislation/legal requirements.



## Key concepts

- **Form of ownership:** refers to the legal position of the business and the way it is owned.
- **Annual General Meeting:** a meeting of the shareholders of a company, held once a year, where the directors give a report stating how well the company has done. Shareholders with voting rights can vote on issues of the company.
- **Continuity:** refers to the ability of the business to exist even if a change of ownership takes place.
- **Partnership agreement:** a document that contains the information of the agreement between the partners on aspects like finances, division of work, sharing of profits, etc.



## Key concepts

- **Legal personality/entity:** the company does not exist physically as a person, but acts as a legal person who can conclude a contract, sue a person, and can be sued.
- **Audit:** the process that exists to examine and verify the financial accounts of the business.
- **Directors:** people elected to the board of a company by the shareholders to represent the shareholders' interests.
- **Shares:** allows investors to obtain part ownership of a company.

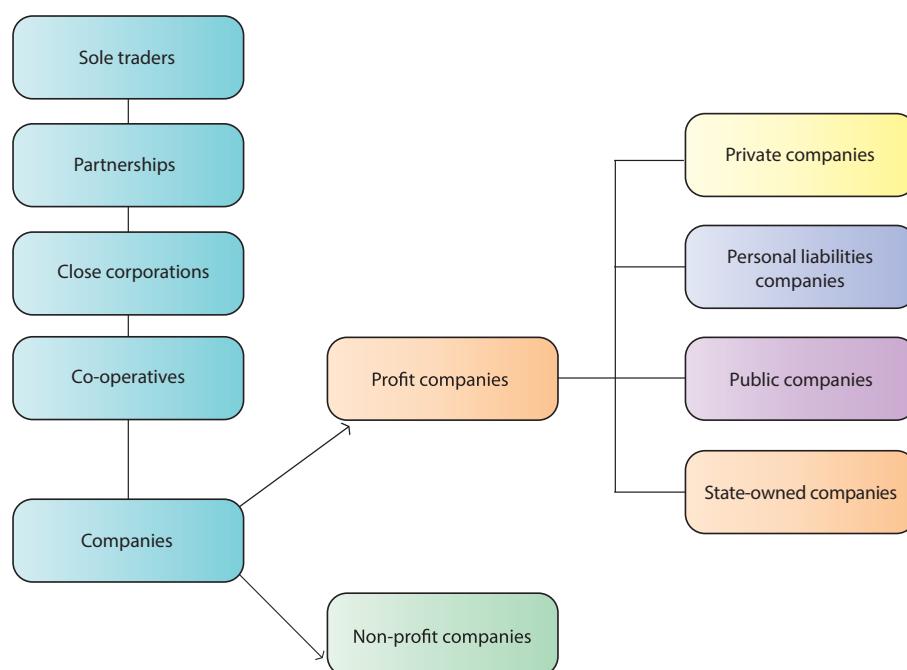
## Introduction

In Grade 10 we learned about the characteristics, advantages, and disadvantages of the different forms of ownership. In Grade 11 we focussed mainly on companies, their formation, legal requirements, and the benefits of a company versus other forms of ownership. In Grade 12 we will revise the characteristics, advantages and disadvantages, and compare the different forms of ownership. We will then focus on how different criteria contribute to the success and/or failure of each form of ownership.

## Unit 15.1 Forms of ownership

There is more than one possible form of ownership that is suitable for a business, however the owner(s) of the business must consider various criteria to choose the best option. Entrepreneurs must consider various factors that may contribute to the success and/or failure of a business. Sometimes businesses may need to change their form of ownership as they develop and expand over time.

The following diagram provides a summary of various forms of ownership. The characteristics, advantages and disadvantages of each form of ownership will covered in this chapter.



## Unit 15.2 Meaning of limited liability and unlimited liability

It is important to determine who will be liable for the debts, losses, or actions of the business in every form of ownership. Limited and unlimited liability can be defined as follows:

- **Limited liability** – Losses are limited to the amount that the owner invested in the business.
- **Unlimited liability** – The owner's personal assets may be seized to pay for the debts of the business.



### QR CODE

Limited & unlimited liability



<https://www.youtube.com/watch?v=42T-K3wmZZs>

### The differences between limited and unlimited liability

LIMITED LIABILITY	UNLIMITED LIABILITY
<ul style="list-style-type: none"> <li>• Losses are limited to the amount that the owner invested in the business.</li> </ul>	<ul style="list-style-type: none"> <li>• The liability of the owners to pay debts/claims is not limited to the business only.</li> </ul>
<ul style="list-style-type: none"> <li>• The owner's personal assets are protected against the debts of the business.</li> </ul>	<ul style="list-style-type: none"> <li>• The owner's personal assets may be seized to pay for the debts of the business.</li> </ul>
<ul style="list-style-type: none"> <li>• Applicable to forms of ownership/companies that have a separate legal entity/personality.</li> </ul>	<ul style="list-style-type: none"> <li>• Applicable to a sole trader and partnership as they do not have a separate legal entity/personality</li> </ul>



### Take note

- 1 Differences do not have to be in tabular form.
- 2 The differences do not have to link but it must be clear.
- 3 The use of tables makes it easier to understand and answer questions.

## Unit 15.3 Criteria that will be used to evaluate the success and/or failure of forms of ownership

In grade 12 we will mainly focus on how the following FIVE criteria will contribute to the success and/or failure of each form of ownership: tax implications, management, capital, division of profits and legislation/legal requirements.



### TAX IMPLICATIONS

It refers to the rate at which the form of ownership is taxed, the frequency of tax payments and its influence on the success/failure of the business.

AND/OR

It may also refer to the different ways forms of ownership are taxed and avenues they can use to pay less tax and its influence on the success/failure of the business.



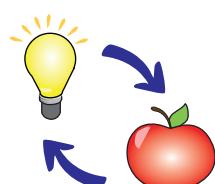
### MANAGEMENT

The way in which decisions are made and how many persons are part of management. The influence of decision-making on the success/failure of the business.



### CAPITAL

It refers to how easy/difficult it is for a form of ownership to acquire capital and its influence on the success/failure of the business.



### DIVISION OF PROFIT

It refers to amongst how many people profits are to be divided and its influence on the success/failure of the business.



### LEGISLATION/LEGAL REQUIREMENTS

Consider legal requirements businesses are subjected to, requirements before a business can start and whether the business is a legal entity or not.

AND/OR

It may also refer to the legal aspects that will have an impact on the form of ownership that the owners need to be aware of and its influence on the success/failure of the business.

To apply the criteria above to the different forms of ownership ask yourself the following questions:

### TAXATION:

- Who will be taxed?
- What is the tax rate?
- What impact will the tax rate/payment has on the members/shareholders/owners of the business?
- How does the tax rate compare with other forms of ownership?

### MANAGEMENT:

- Who manage this form of ownership?
- Are the manager actively involved in the decisions of the business?
- Will the managers contribute to the success/failure of the business?
- Will the managers be able to make good decisions?

### CAPITAL:

- What form of capital will be obtained?
- What amount of capital could be raised?
- Can the business raise extra capital for expansion?
- What will be the impact of capital on the success/failure of the business?

### DEVISION OF PROFITS:

- Who will receive the profit of the business?
- How will profit be distributed?
- Will profits encourage owners/managers to work hard?
- Will division of profits contribute to the success/failure of the business?

### LEGISLATION/LEGAL REQUIREMENTS:

- What is the legal restrictions on the business with formation?
- What is the time and cost implications of legislation to the formation of the business?
- Will legislation restrict/motivate owners/shareholders to join the business?
- Will legislation contribute to the success/failure of the business?

### Activity 15.1 Classwork/Homework

#### 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 (1.1.1 – 1.1.3) in your notebook.

consistency ; natural personality ; non-profit  
continuity ; legal personality ; profit

**1.1.1** A State-owned company is a ... company.

**1.1.2** Businesses with ... has the ability to exist even if a change of ownership takes place.

**1.1.3** Businesses with a ... can sue or be sued. (6)

**1.2** Explain the differences between *limited liability* and *unlimited liability*. (8)

[14]

## Unit 15.4 Forms of ownership and the contribution of the criteria to the success and/of failure of each form of ownership

### Sole trader

A sole trader is formed when there is a single founder who owns and runs the business. This is the simplest form of business entity because the business is not separate from the owner.

#### Characteristics of a sole trader

- This is the simplest and oldest form of ownership.
- The business is owned and managed by one person only.
- It is easy to establish as there are no legal formalities when forming the business.
- There are no legal requirements regarding the name of the business.
- The owner has unlimited liability for all the debts of the business.
- A sole trader has limited potential for expansion and lacks continuity of existence.
- The business has no legal personality and therefore, has no continuity because continuity depends on the life and health of the owner.
- Profit is added to the rest of the owner's taxable income.



#### Impact of sole traders

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"><li>• It is easy to start or end the business.</li><li>• It requires little capital to start.</li><li>• There are only a few legal formalities.</li><li>• The owner can make all decisions and doesn't need to consult with anyone.</li><li>• The owner is entitled to all profits.</li><li>• It has a simple management structure.</li><li>• Assets of the business belong to the owner.</li></ul>	<ul style="list-style-type: none"><li>• The owner is responsible for providing all the capital needed.</li><li>• The business is not a legal entity and has no continuity.</li><li>• If the owner does not have enough knowledge or experience, the business may fail.</li><li>• The owner is personally liable for all the debts and losses of the business.</li><li>• The growth of the business can be restricted due to a lack of capital.</li></ul>

**Note:** Use the information of sole traders to apply it to the different criteria which contribute to the success and/or failure of sole traders.

## Criteria that contribute to the success and/or failure of a sole trader

Criteria	Success AND/OR	Failure
Taxation	<ul style="list-style-type: none"> <li>The owner is only taxed on profits in a personal capacity.</li> <li>The owner's income is taxed at a lower rate than the company tax rate.</li> <li>If the owner earns below a certain threshold amount per year, no income tax is payable and the business's profits are thus not taxed.</li> </ul>	<ul style="list-style-type: none"> <li>If profits get too large, the owner may end up paying a bigger amount of tax in his/her personal capacity.</li> <li>Failure by the owner to comply with personal income tax regulations could lead to substantial financial penalties imposed by SARS.</li> </ul>
Management	<ul style="list-style-type: none"> <li>One owner can make quick decisions because he/she does not have to consult others and there are no conflict.</li> <li>The owners may be applying his/her own creativity when making important decisions.</li> </ul>	<ul style="list-style-type: none"> <li>The owner has to do all the administration, management, and decision-making in the business.</li> <li>Owners have to rely on their own experience and skills and can make incorrect decisions.</li> </ul>
Capital	<ul style="list-style-type: none"> <li>Capital will be carefully spent and managed because owners contribute all capital.</li> <li>The owner may be able to secure additional capital from financial institutions if he/she is credit worthy.</li> </ul>	<ul style="list-style-type: none"> <li>Profits may not be large enough for expansion.</li> <li>Cannot always appoint people with large salaries resulting in less qualified staff.</li> <li>The owner is responsible for any capital borrowed.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>The owner receives all profits from the business which can lead to capital growth.</li> <li>The owner may use the profit to expand the business.</li> </ul>	<ul style="list-style-type: none"> <li>Profits may not cover all business debts, which might hinder the expansion of the business.</li> <li>If the owner does not make a profit, the income and livelihood of the owner may be severely affected.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>It is easy/inexpensive to start.</li> <li>There are limited regulatory requirements regarding the name of the business.</li> <li>Unlimited liability of the owner may encourage him/her to work harder to ensure the success of the business.</li> </ul>	<ul style="list-style-type: none"> <li>The owner is personally liable for the loss of the business and must budget carefully.</li> <li>Must comply with relevant municipal regulations or it could close down.</li> <li>The business is not a juristic person, therefore the owner has unlimited liability for the debts of the business.</li> <li>Personal debts and business debts are one.</li> <li>The business has no continuity because it depends on the life of the owner.</li> <li>Businesses may only qualify for more loans if they are licenced. Loans are not easily obtainable.</li> </ul>

## Partnership



A partnership is when two or more co-owners run a business together. Partners pool their money towards a common goal, share specialised skills and resources and share in the ups and downs of business success.

### Characteristics of a partnership

- No legal formalities required to start, only a written partnership agreement is required.
- There are no legal requirements regarding the name of the business.
- Partners combine capital and may also borrow capital from financial institutions.
- Partners have unlimited liability and are jointly and severally liable for the debts of the business.

- Profit is shared according to the partnership agreement.
- It is optional to audit the financial statements of a partnership.
- Partners share responsibilities and they are all involved in decision making.
- The partnership does not pay income tax, only the partners in their personal capacities.
- The partnership has no legal personality and therefore, has no continuity.

## Impact of partnerships

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• There are a few legal requirements to establish a partnership.</li> <li>• Because of the capital being pooled together, there is more capital.</li> <li>• Partnerships are not compelled by law to do audits.</li> <li>• Partners can put their knowledge and skills together to collectively make the best decisions.</li> <li>• The workload and responsibility are shared between partners.</li> <li>• Partners are only required to pay tax in their personal and individual capacity.</li> <li>• The partners have a personal interest in the business.</li> </ul>	<ul style="list-style-type: none"> <li>• Partners have unlimited liability which means they can lose personal assets.</li> <li>• Different personalities and opinions of partners can lead to conflicts/disagreements.</li> <li>• There is a lack of continuity. If one partner dies, retires, or leaves, a new partnership must be formed.</li> <li>• Partners might not all contribute money, and assets equally.</li> <li>• There can be a lack of capital and cash flow.</li> <li>• Each business partner is legally responsible for the joint liability of the partnership and can lose personal belongings.</li> </ul>

**Note:** Use the information of a partnership to apply it to the different criteria which contribute to the success and/or failure of partnerships.

## Criteria that contribute to the success and/or failure of a partnership

Criteria	Success AND/OR Failure
Taxation	<ul style="list-style-type: none"> <li>• The partnership does not pay income tax, only the partners in their personal capacities.</li> </ul> <ul style="list-style-type: none"> <li>• High-earning partners pay more tax, which may discourage other partners from joining the partnership.</li> <li>• Partners may withdraw more cash to reduce their tax burden which may cause cashflow problems for the partnership.</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Partners are actively involved in the management and may use the ideas of other partners.</li> <li>• Not all partners need to be actively involved in the management and could appoint competent managers.</li> <li>• Partners can be creative and have access to the expertise of other partners when difficult decisions have to be made.</li> </ul> <ul style="list-style-type: none"> <li>• Decision-making can be time-consuming as all partners have to agree.</li> <li>• Partners have to do all of the administration, management, and decision-making in the business.</li> <li>• Partners may disagree on how to run the business, which may lead to tension between them.</li> <li>• Partners are agents of the partnership and bad management decisions may be forced onto other partners.</li> <li>• Different personalities and opinions could lead to conflict or disagreements.</li> <li>• Irresponsible acts of one partner can place the entire partnership at risk.</li> </ul>

Criteria	Success AND/OR	Failure
Capital	<ul style="list-style-type: none"> <li>More capital can be obtained because more than one partner contributes to capital.</li> <li>Partners are responsible for the success and they will be careful with the spending and management of capital.</li> </ul>	<ul style="list-style-type: none"> <li>Partners may not all have the capital to put into the business when needed.</li> <li>Unequal inputs as some partners put in expertise instead of cash.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>Partners share profits according to their contributions which will encourage hard work and commitment from them.</li> <li>Profits are divided according to a written partnership agreement which helps to limit misunderstanding/disagreement.</li> </ul>	<ul style="list-style-type: none"> <li>The amount of work done may not be equal to the amount of profit that each partner receives which could lead to dissatisfaction.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>Easy and cheap to establish, as partners must draw up a partnership agreement.</li> <li>Partners are more motivated to make a success because their personal possessions are at risk.</li> <li>No regulatory requirements regarding the name of the business.</li> <li>The unlimited liability for debts may motivate partners to succeed as they may lose their personal possessions.</li> </ul>	<ul style="list-style-type: none"> <li>Partners are jointly and severally liable for the debts of the business because of the unlimited liability for debts.</li> <li>If one partner dies or retires, the remaining partners need to draw up a new agreement.</li> <li>Oral agreements between partners can cause conflict between partners.</li> <li>A partnership is not a legal entity, partners can sue or be sued.</li> </ul>

### Did you know

Only natural persons were/are allowed to form part of a Close corporation.



- A close corporation has 1 – 10 members

## Close corporation

A Close Corporation (CC) is a business entity with a separate legal personality but has the legal capacity of a natural person.

### Characteristics of a close corporation

- The name of the business must end with the suffix CC.
- A CC can have a minimum of one and a maximum of ten members who share a common goal.
- Members are not partners or have shares, but they have an interest in the CC.
- The word 'close' means that all members are involved and participate in its management.
- Each member makes a contribution of some assets, expertise, or services towards the corporation.
- Members have limited 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.
- The 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.
- A CC pays tax on income earned by the business.

### Did you know

According to the Companies Act, No 71 of 2008, no new registrations of Close Corporations may take place but existing corporations will continue.

## Impact of close corporations

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>A CC is a legal entity and has continuity of existence.</li> <li>The members of a CC have limited liability.</li> <li>There are very few legal requirements like auditing or regular annual general meetings.</li> <li>A CC can be converted to a private company and members may become shareholders.</li> <li>Owners' interest in the CC does not need to be in proportion to their capital contribution.</li> </ul>	<ul style="list-style-type: none"> <li>A CC is taxed at the same rate as companies and it is higher than personal income tax.</li> <li>A CC has limited growth and expansion because a CC cannot have more than ten members.</li> <li>It is difficult for members to leave the CC as all members must agree to the disposal of a member's interest.</li> <li>Disagreement between members can lead to conflict and delay decisions.</li> <li>A member of a CC can be held personally liable for the losses of the CC if the member acts incompetently.</li> </ul>

**Note:** Use the information of a close corporation to apply it to the different criteria which contribute to the success and/or failure of close corporations.

## Criteria that contribute to the success and/or failure of a close corporation

Criteria	Success AND/OR	Failure
Taxation	<ul style="list-style-type: none"> <li>The CC pays income tax on the profit.</li> <li>Profit is distributed to members and they pay personal tax on that.</li> <li>Close corporations are exempted from dividend tax when receiving dividends from a company.</li> </ul>	<ul style="list-style-type: none"> <li>CC pays tax at the same rate as companies, which is higher than the rate for a partnership.</li> </ul>
Management	<ul style="list-style-type: none"> <li>Members put their skills and expertise together to manage the CC.</li> <li>There is no hierarchical structure as all members are equal in decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>Members have to do all the administration, management, and decision-making.</li> <li>Members can disagree and may have conflict, which will delay decisions.</li> </ul>
Capital	<ul style="list-style-type: none"> <li>There can be one to ten members who contribute a % capital. More capital can be available.</li> <li>Members are responsible for the success and they will be careful with spending and management of capital.</li> </ul>	<ul style="list-style-type: none"> <li>Compared to a company, capital is limited to ten members.</li> <li>If one member leaves the CC his/her capital must be paid out.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>Profits are divided between members according to their percentage of membership.</li> <li>Members will work harder to earn more profit.</li> </ul>	<ul style="list-style-type: none"> <li>During difficult economic times, profit will decrease and result in loss of faith in the CC by the members.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>New CCs can no longer be formed, however existing CCs can continue operating for ten years.</li> <li>Members may in certain instances be liable for the debts of the business, which may motivate them to succeed.</li> </ul>	<ul style="list-style-type: none"> <li>An accounting officer must be appointed and it can be expensive.</li> <li>There is very little legal control over the management of CCs.</li> </ul>

## Private companies

Private companies can be formed according to the Companies Act, No 71 of 2008, and can be big or small. A key characteristic is that it has limited liability but cannot sell shares to the public and cannot list its shares at the JSE.

### Did you know

According to the Companies Act, No. 71 of 2008, profit public, private, and personal liability companies are the main form of profit companies. The main aim of these companies is to make a profit by providing a product or service.

### Characteristics of a private company

- A private company needs a minimum of one shareholder and there is no limit on the number of shareholders that a private company may have.
- According to the Companies Act, No. 71 of 2008, a company needs one or more directors and one or more shareholders.
- Companies must register with CIPC by drawing up a Memorandum of Incorporation.
- The company name ends with letters/abbreviation (Pty) Ltd.
- A private company is not allowed to sell shares to the public.
- The company raises capital by issuing shares to its shareholders.
- Investors put capital in to earn profit from shares in the form of dividends.
- The company has a legal personality and unlimited continuity.
- The Companies Act, No. 71 of 2008, states that the auditing of financial statements is optional.
- Profits are shared in the form of dividends in proportion to the shares held.
- Companies are separate legal entities and therefore enjoy unlimited continuity.

### Impact of private companies

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• A company has its own legal identity and shareholders have no direct legal implications/limited liability.</li> </ul>	<ul style="list-style-type: none"> <li>• A lot of capital is required to start a company.</li> </ul>
<ul style="list-style-type: none"> <li>• There is the potential of good long-term growth.</li> </ul>	<ul style="list-style-type: none"> <li>• The more shareholders, the fewer dividends for shareholders.</li> </ul>
<ul style="list-style-type: none"> <li>• Companies pay tax on a fixed tax rate.</li> </ul>	<ul style="list-style-type: none"> <li>• Must adhere to the tax requirement of the government.</li> </ul>
<ul style="list-style-type: none"> <li>• A Board of directors with expertise/experience can be appointed to make decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Directors do not have a personal interest and will not always put the company's interest first.</li> </ul>
<ul style="list-style-type: none"> <li>• Not required to file annual financial statements with the commission.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company.</li> </ul>
<ul style="list-style-type: none"> <li>• It is a legal person and can sign contracts in its own name.</li> </ul>	<ul style="list-style-type: none"> <li>• It is difficult to establish as the company is subjected to many legal requirements.</li> </ul>
<ul style="list-style-type: none"> <li>• The new Act forces personal liability on directors who knowingly participated in carrying out business in a reckless/fraudulent manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Pays tax on the profits of the business and declared dividends./Subject to double taxation.</li> </ul>
<ul style="list-style-type: none"> <li>• Financial statements are private and not available to the general public.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies must prepare annual financial statements.</li> </ul>
<ul style="list-style-type: none"> <li>• A company has continuity of existence.</li> </ul>	

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>It is possible to sell a private company as it is a legal entity in its own right.</li> </ul>	
<ul style="list-style-type: none"> <li>It can easily raise capital by issuing shares to its members.</li> </ul>	

**Note:** Use the information of a private company to apply it to the different criteria which contribute to the success and/or failure of private companies.

### Criteria that contribute to the success and/or failure of a private company

Criteria	Success	AND/OR	Failure
Taxation	<ul style="list-style-type: none"> <li>The company pays tax at a fixed rate on its profit.</li> <li>Can obtain tax rebates if they are involved in CSI projects.</li> <li>Can obtain government tenders and renew their licenses if they do not evade tax.</li> </ul>		<ul style="list-style-type: none"> <li>Companies are subject to double taxation, for example, shareholders pay the secondary tax which could discourage investors from buying shares in the company.</li> </ul>
Management	<ul style="list-style-type: none"> <li>Managed by at least one competent highly skilled director.</li> <li>The management of the company can improve since directors are accountable to shareholders.</li> <li>Shareholders can vote for/appoint the most capable directors to manage the company.</li> </ul>		<ul style="list-style-type: none"> <li>Directors may not have a direct interest in the company, which can hamper growth and profit maximisation.</li> <li>Directors' fees increase the company's expenses which reduces net profit.</li> <li>Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director.</li> <li>Large management structures can result in decision-making taking time.</li> <li>Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration.</li> </ul>
Capital	<ul style="list-style-type: none"> <li>More capital can be raised by issuing shares to shareholders.</li> <li>Large amounts of capital can be raised since there is no limit on the number of shareholders.</li> <li>The company can access long-term capital and therefore have good long-term growth opportunities.</li> <li>Even though shares are not freely transferable, large private companies can raise a considerable amount of capital.</li> </ul>		<ul style="list-style-type: none"> <li>It cannot grow into a very large business since it cannot invite the public to buy shares.</li> <li>Restrictions on the transferability of shares may not attract financially strong investors.</li> <li>A large amount of capital cannot be obtained as the capital contribution is only limited to private shareholders.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>High profits and good returns to shareholders indicate the success of a company, which increases the value of shares.</li> <li>Profits generated can be re-invested to expand business operations.</li> <li>Shareholders receive profits according to the number of their shares.</li> </ul>		<ul style="list-style-type: none"> <li>Shareholders may sell their shares when dividends are low, resulting in a drop in share prices.</li> <li>Dividends are not always paid out, which may discourage new investors.</li> </ul>

Criteria	Success AND/OR Failure
Legislation	<ul style="list-style-type: none"> <li>Procedures to form a private company have been simplified by the new Companies Act, No. 71 of 2008.</li> <li>Limited liability allows for greater risk-taking, which may lead to the growth of the business.</li> <li>Auditing of financial statements (if required), gives shareholders the assurance that the business is being properly managed and supports raising additional capital.</li> <li>There is no longer a limit on the number of shareholders in a private company.</li> <li>Personal liability of shareholders does not affect the company's assets.</li> </ul> <ul style="list-style-type: none"> <li>Formation procedures are time-consuming, complicated, and expensive, as many legal documents need to be prepared and submitted.</li> <li>High formation/establishment expenses require large start-up capital.</li> <li>Annual audit of financial statements (if required) is costly.</li> <li>If a private company does not comply with legislation, its licence may be withdrawn by the Companies and Intellectual Property Commission (CIPC).</li> </ul>

### Take note

- Other characteristics of a personal liability company are the same as the private company except for the first three characteristics mentioned on the right.
- The advantages are the same as a private company.
- The disadvantages are the same as a private company except that the directors of the personal liability company have unlimited liability.

## Personal liability company

A personal liability company is very similar to a private company but the main difference is the liability of the director.

### Characteristics of a personal liability company

- The company name must end with the letters INC.
- Past and present directors may be held responsible for the debts of the business as liability for debt is unlimited.
- The Memorandum of Incorporation should state that it is a personal liability company.
- The company must have at least one director on its board of directors.

**Note:** Use the information of a personal liability company to apply it to the different criteria which contribute to the success and/or failure of personal liability companies.

## Criteria that contribute to the success and/or failure of a personal liability company

Criteria	Success AND/OR Failure
Taxation	<ul style="list-style-type: none"> <li>PLCs only pay tax after business expenses have been deducted.</li> <li>The company pays tax at a fixed rate, which can be lower than that of partnerships.</li> <li>Can obtain tax rebates if they are involved in CSI projects.</li> <li>Can obtain government tenders and renew their licenses if they do not evade tax.</li> <li>The image of the business is promoted and attracts investment when companies comply with tax regulations and laws.</li> </ul> <ul style="list-style-type: none"> <li>Subject to double taxation, for example, when shareholders pay secondary tax it can harm a company that is already struggling financially.</li> </ul>

Criteria	Success AND/OR	Failure
Management	<ul style="list-style-type: none"> <li>PLCs are managed by a competent board of directors who may be experts in their fields.</li> <li>More directors may be appointed to bring more skills or expertise to the PLC.</li> <li>Shareholders can vote for and appoint the most capable directors to manage their company.</li> </ul>	<ul style="list-style-type: none"> <li>Directors may not have a direct interest in the company, which can hamper growth and profit maximisation.</li> <li>PLCs and their shareholders are compelled to budget a larger amount for directors' remuneration to attract the best directors.</li> <li>Directors' fees increase the company's expenses, which reduces net profit.</li> </ul>
Capital	<ul style="list-style-type: none"> <li>Capital can be increased by getting more shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>It cannot grow into a very large business since it cannot invite the public to buy shares.</li> <li>Restrictions on the transferability of shares may not attract financially strong investors.</li> <li>A large amount of capital cannot be obtained as the capital contribution is only limited to private shareholders.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>High profits and good returns to shareholders indicate the success of a company, which increases the value of shares.</li> <li>Profits generated can be re-invested to expand business operations.</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders may sell their shares when dividends are low, resulting in a drop in share prices.</li> <li>Dividends are not always paid out, which may discourage new investors.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>The company and its owners (shareholders) are separate entities, which may encourage more people to join the company.</li> <li>Directors are forced (by the Act) to act responsibly and work harder towards the success of the company to protect their assets.</li> </ul>	<ul style="list-style-type: none"> <li>Lengthy registration requirements may delay the actual operation of the business and shareholders can lose out on profitable opportunities.</li> <li>It is expensive to register this form of ownership, which increases business expenses and reduces profits.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>Directors sign performance contracts that will motivate them to perform professionally and ethically.</li> <li>Rights and duties of shareholders are stipulated in the Companies Act, No 71 of 2008, which minimises unethical and corrupt behaviour.</li> <li>May obtain government tenders as the PLC is properly registered in compliance with the Companies Act.</li> </ul>	<ul style="list-style-type: none"> <li>The drafting of directors' performance contracts may be time-consuming, expensive, and increase costs.</li> <li>Auditing is required only if the PLC meets the requisite tests for solvency and liquidity, which leads to extra auditing costs.</li> </ul>

## Public company

A public company is designed for a large-scale operation that requires large capital investments. A public company is a company that is registered to offer its stock and shares to the general public. The public company can list its shares at the Johannesburg Securities Exchange (JSE) to sell shares to the public.

### Characteristics of a public company

- A minimum of one person is required to start a public company.
- According to the Companies Act, No. 71 of 2008, it requires three or more directors and three or more shareholders.
- It must register with the CIPC by drawing up a Memorandum of Incorporation.
- The company name ends with the letters/abbreviation Ltd.



- Public companies have a legal personality and have unlimited continuity.
- It can raise capital by issuing shares to the public and borrowing capital by issuing debentures.
- The company can issue a prospectus to the public to raise capital.
- The shareholders of a company have limited liability.
- The new Act forces personal liability on directors who knowingly participated in carrying out business in a reckless/fraudulent manner.
- The company has a legal personality and unlimited continuity.
- A public company is required to hold an Annual General Meeting (AGM).
- 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 type and number of shares.

### Impact of public companies

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• The business has its own legal identity.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies must disclose all financial information to their shareholders.</li> </ul>
<ul style="list-style-type: none"> <li>• It is easy to raise funds for growth through the sale of shares.</li> </ul>	<ul style="list-style-type: none"> <li>• Audits are compulsory and a big amount is spent on financial audits.</li> </ul>
<ul style="list-style-type: none"> <li>• A shareholder is only liable for the amount which is invested./Shareholders have limited liability.</li> </ul>	<ul style="list-style-type: none"> <li>• Stocks have to be traded publicly.</li> </ul>
<ul style="list-style-type: none"> <li>• Shareholders can appoint a knowledgeable board of directors.</li> </ul>	<ul style="list-style-type: none"> <li>• A full report must be submitted to the major shareholders each year.</li> </ul>
<ul style="list-style-type: none"> <li>• Companies may buy and sell shares freely.</li> </ul>	<ul style="list-style-type: none"> <li>• It is difficult and expensive to establish as the company is subjected to many legal requirements.</li> </ul>
<ul style="list-style-type: none"> <li>• Shareholders can sell/transfer their shares freely.</li> </ul>	<ul style="list-style-type: none"> <li>• The more shareholders, the fewer dividends to each shareholder.</li> </ul>
<ul style="list-style-type: none"> <li>• The public has access to the information and this could motivate them to buy shares from a company.</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders may be allowed little or no input into the affairs of the company.</li> </ul>
<ul style="list-style-type: none"> <li>• Additional shares can be raised by issuing more shares or debentures.</li> </ul>	<ul style="list-style-type: none"> <li>• Due to legislation, decisions take longer and there may be disagreements.</li> </ul>
<ul style="list-style-type: none"> <li>• Strict regulatory requirements protect shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial affairs must be known publicly, and this information could be used to a competitors' advantage.</li> </ul>

**Note:** Use the information of public company to apply it to the different criteria which contribute to the success and/or failure of public companies.

## Criteria that contribute to the success and/or failure of a public company

Criteria	Success AND/OR	Failure
Taxation	<ul style="list-style-type: none"> <li>The company pays tax at a fixed rate on its profit.</li> <li>Can obtain tax rebates if they are involved in CSI projects.</li> <li>Can obtain government tenders and renew their licenses if they do not evade tax.</li> </ul>	<ul style="list-style-type: none"> <li>Subject to double taxation, for example, if shareholders have to pay the secondary tax this can harm a company that is already struggling financially.</li> </ul>
Management	<ul style="list-style-type: none"> <li>Managed by a board of competent highly skilled directors, which results in better decision-making.</li> <li>The management of the company can improve since directors are accountable to shareholders.</li> <li>Shareholders can vote for directors at the AGM and appoint the most capable directors to manage the company.</li> <li>Directors bring creative ideas, which encourages efficiency in the company.</li> </ul>	<ul style="list-style-type: none"> <li>Directors may not have a direct interest in the company, which can hamper growth and profit maximisation.</li> <li>Directors may not be motivated to work very hard because share-holders decide on the directors' remuneration.</li> <li>A large management structure can result in timeous decision-making.</li> <li>Directors' fees increase the company's expenses and reduce net profit.</li> <li>Management may open to legal challenges if their reports do not comply with King Code III.</li> <li>Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director.</li> </ul>
Capital	<ul style="list-style-type: none"> <li>Can raise large amounts of capital as shares and debentures can be sold to the public.</li> <li>The share capital clause in the Memorandum of Incorporation (MOI) may be changed to issue more shares.</li> <li>A public company's shares can be listed on the JSE which gives the company exposure to more potential investors.</li> </ul>	<ul style="list-style-type: none"> <li>Growth is limited if sufficient capital cannot be raised.</li> <li>Large amounts of capital are required to start a public company.</li> <li>Raising extra capital may be difficult if the economic climate is unfavourable.</li> <li>Share prices change all the time and they may lose value.</li> <li>An increase in the number of shares issued may lead to more dividends paid out and less retained income from company profits.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>High profits and good returns to shareholders indicate the success of a company, which increases the value of shares.</li> <li>Profits generated can be re-invested to expand business operations.</li> <li>Shareholders receive profits according to the type and number of their shares.</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders may sell their shares when dividends are low, resulting in a drop in share prices.</li> <li>Dividends are not always paid out, which may discourage new investors.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>Companies must comply with the Companies Act, No. 71 of 2008.</li> <li>The company and its owners (shareholders) are separate entities, which may encourage more people to join the company.</li> <li>Limited liability allows for greater risk-taking, which may lead to the growth of the business.</li> <li>Auditing of financial statements gives shareholders the assurance that the business is being properly managed and supports raising additional finance.</li> </ul>	<ul style="list-style-type: none"> <li>Formation procedures are time-consuming, complicated, and expensive, as many legal documents need to be prepared/submitted.</li> <li>High formation/establishment expenses require large start-up capital.</li> <li>Annual audit of financial statements is costly.</li> <li>If a public company does not comply with legislation, its licence may be withdrawn by the Companies and Intellectual Property Commission (CIPC).</li> </ul>

## Differences between the private and public company

**Tip**

If a question is asked on the difference, make sure that you only include differences and not similarities.



PRIVATE COMPANY	PUBLIC COMPANY
<ul style="list-style-type: none"> <li>May not offer shares to the general public.</li> </ul>	<ul style="list-style-type: none"> <li>Listed companies may trade its shares publicly on the Johannesburg Security Exchange.</li> </ul>
<ul style="list-style-type: none"> <li>Shares are not freely transferable.</li> </ul>	<ul style="list-style-type: none"> <li>Shares are freely transferable.</li> </ul>
<ul style="list-style-type: none"> <li>Minimum of one director.</li> </ul>	<ul style="list-style-type: none"> <li>Minimum of three directors.</li> </ul>
<ul style="list-style-type: none"> <li>The name must end with Proprietary Limited/(Pty) Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>The name must end with Limited/Ltd.</li> </ul>
<ul style="list-style-type: none"> <li>Annual financial statements need not be audited and published.</li> </ul>	<ul style="list-style-type: none"> <li>Annual financial statements need to be audited and published.</li> </ul>
<ul style="list-style-type: none"> <li>Does not need to publish a prospectus as it cannot trade its shares publicly.</li> </ul>	<ul style="list-style-type: none"> <li>Have to register and publish a prospectus with the Companies and Intellectual Property Commission/CIPC.</li> </ul>
<ul style="list-style-type: none"> <li>The company is not required to raise the minimum subscription/issue minimum shares.</li> </ul>	<ul style="list-style-type: none"> <li>Must raise a minimum subscription before the commencement of the company.</li> </ul>

### Activity 15.2 Classwork/Homework

**QUESTION 1**

**1.1** Identify the form of ownership represented by EACH statement below:

**1.1.1** The financial statement of Moshe Holdings should be audited.

**1.1.2** Elmaree and Soso only needed a written agreement to establish a new business.

**1.1.3** The directors of Shavet INC will be held liable for the debts of the company. (3 × 2) (6)

**1.2** Discuss the advantages of a public company. (8)

**1.3** Explain the differences between a *partnership* and a *public company* based on the following:

**1.3.1** Management (4)

**1.3.2** Taxation (4)

**1.3.3** Capital (4)

Use the table below as a GUIDE to answer QUESTION 1.3.

ASPECTS	PARTNERSHIP	PRIVATE COMPANY
<b>1.3.1</b> Management		
<b>1.3.2</b> Taxation		
<b>1.3.3</b> Capital		

[26]

## State-owned company

A state-owned company has the government as its major shareholder and falls under the Department of Public Enterprise. These businesses take on the role of commercial enterprise on behalf of the government.

### Characteristics of a state-owned company

- A state-owned company must have three or more directors and one or more shareholders.
- It must register with CIPC by drawing up a Memorandum of Incorporation.
- It is owned by the government and operated for profit.
- State-owned companies are listed as public companies.
- The name ends with the letters/abbreviation SOC.
- State-owned companies support private businesses by providing infrastructures such as communication service (Post office) and supply of electricity (Eskom).



■ Transnet is a state-owned company

### Impact of state-owned companies

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• The profits may be used to finance other state departments.</li> </ul>	<ul style="list-style-type: none"> <li>• It often results in poor management as the government is not always as efficient as the private sector.</li> </ul>
<ul style="list-style-type: none"> <li>• It offers essential services which may not be offered by the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>• There is often inefficiency due to the size of the business.</li> </ul>
<ul style="list-style-type: none"> <li>• Prices are kept reasonable./Creates sound competition with the private sector to make services affordable to more citizens.</li> </ul>	<ul style="list-style-type: none"> <li>• It often relies on government subsidies.</li> </ul>
<ul style="list-style-type: none"> <li>• Wasteful duplication of services is eliminated.</li> </ul>	<ul style="list-style-type: none"> <li>• A lack of incentives for employees to perform if there is an absence of other motivators such as productivity bonuses.</li> </ul>
<ul style="list-style-type: none"> <li>• Planning can be coordinated through central control.</li> </ul>	<ul style="list-style-type: none"> <li>• Government can lose money through the business.</li> </ul>
<ul style="list-style-type: none"> <li>• State-owned companies generate income to finance social programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• A lack of incentives for employees to perform if there is no share in the profit.</li> </ul>
<ul style="list-style-type: none"> <li>• SOCs can create jobs for all skill levels.</li> </ul>	<ul style="list-style-type: none"> <li>• Losses must be met by the taxpayer.</li> </ul>
	<ul style="list-style-type: none"> <li>• Shares are not freely tradable making it difficult to raise capital.</li> </ul>
	<ul style="list-style-type: none"> <li>• SOCs must follow strict regulations for operations to raise capital.</li> </ul>
	<ul style="list-style-type: none"> <li>• Financial statements must be audited, which is expensive.</li> </ul>

**Note:** Use the information of state-owned company to apply it to the different criteria which contribute to the success and/or failure of state-owned companies.

## Non-profit companies (NPCs)

NPCs are entities that are set up to help people, protect the environment, or lobby for some good cause. They could include religious organisations such as churches, charity organisations, and cultural organisations. The primary objective of an NPC is to benefit the public, not to make a profit.

### Characteristics of non-profit companies

- The main aim of NPCs is to provide service and not to make a profit.
- They are funded by donations and foreign funding.
- The name of the company must end with the letters/abbreviation NPC.
- All profits must be used for the primary objectives of the non-profit company.
- It must prepare a Memorandum of Incorporation to register the company.
- Qualifying NPCs are granted tax-exempt status.

### Impact of non-profit companies

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• The profits of NPCs are used solely for the primary objective of the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• NPCs do not generate enough capital to cover their expenses.</li> </ul>
<ul style="list-style-type: none"> <li>• They provide social services to various communities, for example, Meals on Wheels provides food for needy people.</li> </ul>	<ul style="list-style-type: none"> <li>• They need professional assistance to set up this organisation.</li> </ul>
<ul style="list-style-type: none"> <li>• Contributions/Donations to NPC's are tax deductible and might prompt more donations from people/businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• Donations received from the public may not always be enough.</li> </ul>
<ul style="list-style-type: none"> <li>• The liability of the members is limited.</li> </ul>	<ul style="list-style-type: none"> <li>• They are not allowed to pay bonuses to members.</li> </ul>
<ul style="list-style-type: none"> <li>• NPCs have continuity of existence.</li> </ul>	<ul style="list-style-type: none"> <li>• Assets are not distributed to the members upon closing down but must be given to similar companies.</li> </ul>
<ul style="list-style-type: none"> <li>• Most of the income of a non-profit company is free from income taxes.</li> </ul>	<ul style="list-style-type: none"> <li>• Obtaining grants can be a slow and tiring process.</li> </ul>
<ul style="list-style-type: none"> <li>• If they qualify, NPCs can receive grants.</li> </ul>	<ul style="list-style-type: none"> <li>• It is not easy to create an NPC. It takes time, effort, and money.</li> </ul>

**Note:** Use the information of non-profit company to apply it to the different criteria which contribute to the success and/or failure of non-profit companies.

## Criteria that contribute to the success and/or failure of a non-profit company

Criteria	Success AND/OR	Failure
Taxation	<ul style="list-style-type: none"> <li>May qualify for tax exemption if certain criteria are met.</li> <li>They may receive certain tax benefits or rebates when actively involved in community projects.</li> </ul>	<ul style="list-style-type: none"> <li>Required to pay income tax if engaged in activities that are unrelated to their business purpose.</li> <li>Must meet certain tax requirements to be exempted, for example, operations must be exclusively for charitable, scientific, or public safety purposes.</li> </ul>
Management	<ul style="list-style-type: none"> <li>An NPC may be well managed as it requires a minimum of three directors.</li> <li>More directors may be appointed to bring more skills, ideas, and expertise to the NPC.</li> <li>The legally prescribed management structure ensures a well-organised company.</li> </ul>	<ul style="list-style-type: none"> <li>Large management structures can complicate/delay decisions.</li> <li>Directors may mismanage business funds as they may not have a direct interest in the NPC.</li> <li>Directors are liable for any loss/damage/cost sustained by the company.</li> <li>Directors may not have the skills to manage resources.</li> </ul>
Capital	<ul style="list-style-type: none"> <li>An unlimited number of founders may contribute more capital to the company.</li> <li>More capital may be raised through donations or sponsorships for the operation and expansion.</li> <li>Donors in non-profit companies may receive tax rebates which may encourage further contributions.</li> </ul>	<ul style="list-style-type: none"> <li>Founders may contribute limited capital, which may not be sufficient for the establishment and operation of the company.</li> <li>The company relies on donations as its main source of capital, which may hamper its operation and expansion.</li> <li>NPC may struggle to raise enough capital and funds if they fail to convince donors and donations are misused.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>The profits of the company are used to finance other needs of the company.</li> </ul>	<ul style="list-style-type: none"> <li>May discourage potential investors from investing in the company as this is a non-profit company.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>The company and its owners (shareholders) are separate entities, which may encourage more people to join the company.</li> <li>Financial statements are audited which may result in the effective use of resources.</li> </ul>	<ul style="list-style-type: none"> <li>Formation procedures are time-consuming, complicated, and expensive, as many legal documents need to be prepared and submitted.</li> </ul>

## Co-operatives

A co-operative is an autonomous association of persons united voluntarily to meet their common economic/social or cultural needs through a jointly-owned enterprise. They share resources/infrastructures and costs to achieve a better outcome.

### Characteristics of co-operatives

- A minimum of five members is required to start a co-operative.
- The objective of a co-operative is to create mutual benefits for the members.
- It is a legal entity and can own land and open bank accounts.
- The members of a co-operative own and run the business together and share equally in its profits.
- The decisions are taken democratically, in other words, the member's vote wins.

#### Did you know

Co-operatives can be formed by a combination of juristic and natural persons.

- Co-operatives are managed by a minimum of three directors.
- The co-operative must register with the Registrar of Co-operative Societies.
- The word 'Co-operative Limited' must appear at the end of its name.
- They are managed by a minimum of three directors.
- The co-operative is motivated by service rather than profit.

### Impact of co-operatives

Positives/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• The co-operative is liable for its own debts, therefore members enjoy limited liability for the debts of the business.</li> </ul>	<ul style="list-style-type: none"> <li>• The funds of a co-op are limited.</li> </ul>
<ul style="list-style-type: none"> <li>• Co-operatives are managed democratically because each member has one vote.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial statements must be audited.</li> </ul>
<ul style="list-style-type: none"> <li>• Formation of co-operatives is easier than companies.</li> </ul>	<ul style="list-style-type: none"> <li>• The shares are not freely transferable.</li> </ul>
<ul style="list-style-type: none"> <li>• If co-operatives meet certain requirements they can receive financial support from the Department of Trade and Industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Decisions are often difficult to reach and time-consuming.</li> </ul>
<ul style="list-style-type: none"> <li>• A co-operative can appoint its management.</li> </ul>	<ul style="list-style-type: none"> <li>• The success of co-operatives depends on the support of the members.</li> </ul>
<ul style="list-style-type: none"> <li>• Profits are shared amongst members according to the number of transactions of that member.</li> </ul>	<ul style="list-style-type: none"> <li>• There is not a lot of incentive for members to invest in a co-operatives.</li> </ul>
	<ul style="list-style-type: none"> <li>• Co-operatives often have a lack of experienced and skilled business leaders.</li> </ul>

**Note:** Use the information of co-operatives to apply it to the different criteria which contribute to the success and/or failure of co-operatives.

### Criteria that contribute to the success and/or failure of Co-operatives

Criteria	Success AND/OR	Failure
Taxation	<ul style="list-style-type: none"> <li>• Dividends declared by a company to a co-operative will be exempted from dividend tax.</li> </ul>	<ul style="list-style-type: none"> <li>• Co-operatives are taxed at the same rate as companies which may be high.</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Co-operatives can appoint their management. A board of directors (minimum two) is chosen by shareholders.</li> <li>• All members have one vote each and decisions are made democratically.</li> </ul>	<ul style="list-style-type: none"> <li>• Decisions are often difficult to reach.</li> <li>• Not all directors are capable of good management.</li> </ul>
Capital	<ul style="list-style-type: none"> <li>• Raises its capital by issuing shares to members.</li> <li>• If co-operatives meet certain requirements they can receive financial support from the Department of Trade and Industry.</li> </ul>	<ul style="list-style-type: none"> <li>• The funds of a co-operatives are limited and therefore it is difficult to grow.</li> </ul>
Division of profits	<ul style="list-style-type: none"> <li>• Each member has an equal share in the co-op.</li> </ul>	<ul style="list-style-type: none"> <li>• The co-operatives is motivated by service rather than profit, which means less profit for members.</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>• Co-operatives must register with the Registrar of Cooperatives Societies.</li> <li>• Formation of co-operatives is easier than companies.</li> </ul>	<ul style="list-style-type: none"> <li>• The process of formations is timeous and difficult.</li> </ul>

**••| Activity 15.3**

**Classwork/Homework**

**QUESTION 1**

- 1.1** Explain the characteristics of co-operatives. (8)
- 1.2** Discuss how the following criteria could contribute to the success and/or failure of a sole trader:
- 1.1.1** Capital
  - 1.1.2** Division of profit
  - 1.1.3** Legislation (12)  
[20]

**QUESTION 2: BUSINESS VENTURES (FORMS OF OWNERSHIP)**

Partnerships have been very popular as a form of ownership. The extent to which owners are liable for the debt, made more entrepreneurs considering private and public companies as a form of ownership. Lately more companies are converting to public companies as it is more likely to be successful.

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

- Outline the characteristics of a partnership.
  - Explain the differences between *limited liability* and *unlimited liability*.
  - Differentiate between a *private company* and a *public company*.
  - Advise businesses on how the following criteria contribute to the success and/or failure of a public company:
    - » Legislation
    - » Management.
- [40]

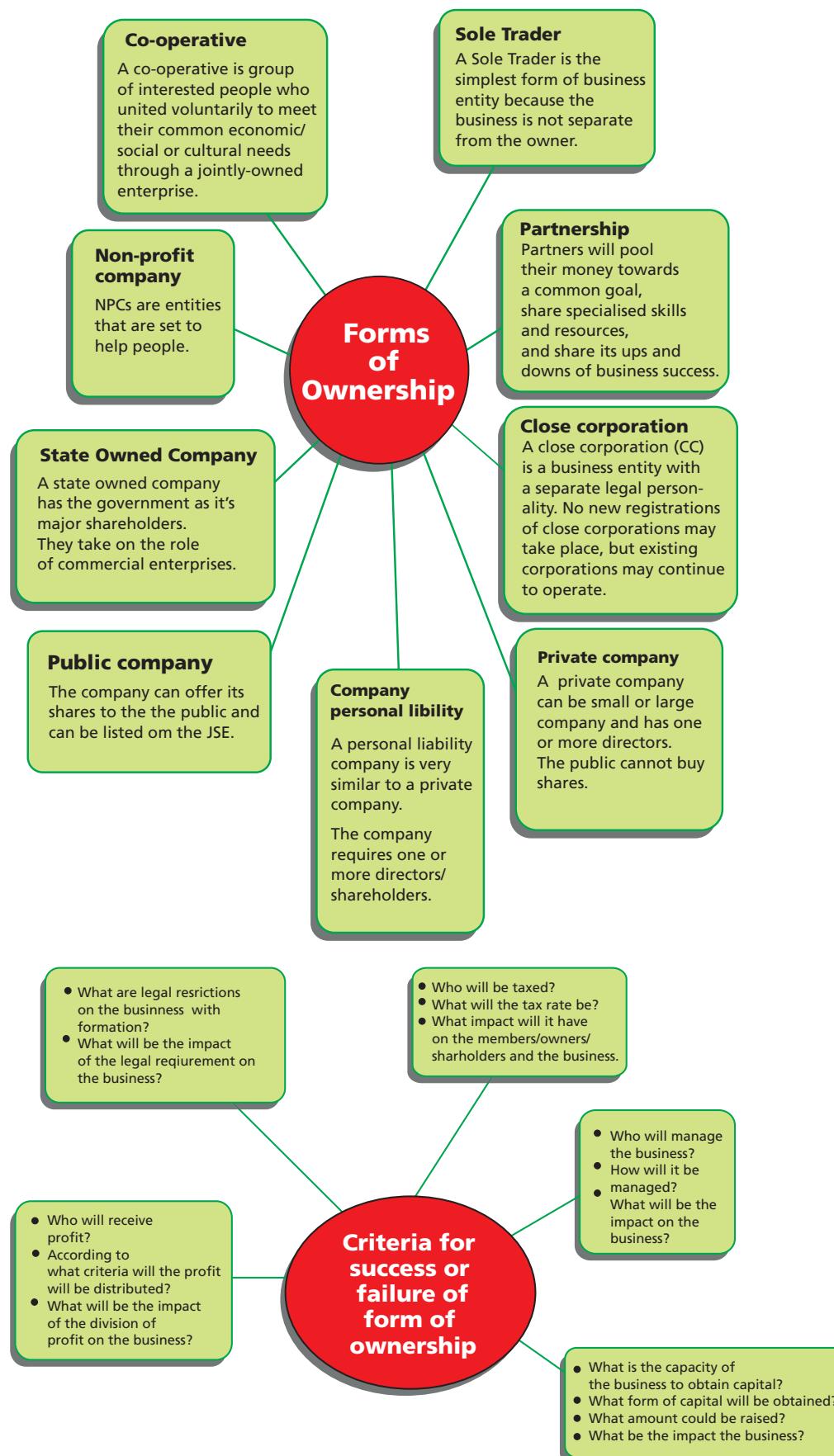
## Comparing forms of ownership in terms of different criteria

It is important to know and understand the criteria for the forms of ownership. This knowledge is needed to determine the contribution towards success and/or failure.

Criteria	Sole trader	Partnership	Close Corporation	Co-operative	Profit companies	Non-profit company
<b>Tax implication</b>	Businesses are not taxed, but the owner will be taxed in his/her private capacity.	Partners will be taxed in their private capacity.	A CC is taxed as a legal entity at the same rate as companies.	Co-operatives are taxed as a legal entity and the income of the company is separate from the members.	Companies are taxed as a legal entity at a set company tax rate and the dividends are also taxed.	Qualifying NPCs are granted tax-exempt status.
<b>Management</b>	A sole trader manages their own business.	The partnership agreement will determine who and how the partnership will be managed.	All members of a CC are involved and participate in its management.	All members have one vote each and decisions are made democratically. A board of directors (minimum two) are chosen by shareholders	Directors will manage the company. Directors are chosen by shareholders at the AGM.	Managed by a minimum of three directors.
<b>Capital</b>	The owner contributes all capital.	Partners contribute capital according to the partnership agreement.	Members contribute an agreed % capital to the CC.	Capital is raised by selling shares to members.	Capital is raised by selling shares to shareholders and by issuing debentures for a public company.	It receives donations from the public and if they qualify, NPCs can receive grants.
<b>Division of profit</b>	All the profit belongs to the owner.	Profit is shared by partners according to the partnership agreement	Profit is shared by members according to their interest in the CC.	Profit is divided among members according to the amount of business done by them with the co-operatives.	Profit belongs to the company. Shareholders share in the profit according to the number and value of their shares, if the company declares a dividend.	The profits of NPCs are used solely for the primary objective of the organisation.
<b>Legislation</b>	Only a few legal formalities with registration.	A few legal requirements to establish. A partnership agreement must be conducted.	Must file a CK1 form but no new registrations of Close Corporations may take place.	Co-operatives must register with the Registrar of Co-operatives Societies.	Companies have to comply with any legal requirements of the Companies Act, No. 71 of 2008.	Needs to comply and file a Memorandum of Incorporation.

## Mind map: Topic 15 – Impact of forms of ownership

Use the mind maps that follow as a guide to consolidate the content covered in this topic. Ensure that you study the content relevant to each heading in this chapter.



**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 – 1.1.5) in your notebook, for example, 1.1.6 D.

**1.1.1** A written invitation to the public to buy shares is known as a ....

- A** Prospectus
- B** Memorandum of Incorporation
- C** Agreement
- D** Certificate of Registration

**1.1.2** The past and present directors of a ... company are jointly and severally responsible for the debts of the company.

- A** state-owned
- B** private
- C** public
- D** personal liability

**1.1.3** The word limited in a company's name indicates that ...

- A** liability of the directors is limited.
- B** liability of the shareholders is limited.
- C** liability of the company is limited.
- D** the selling of shares is limited.

**1.1.4** In a ... every business owner is legally responsible for the joint liability of the business and can lose personal belongings.

- A** partnership
- B** close corporation
- C** private company
- D** public company

**1.1.5** If they qualify, ... are granted tax-exempt status.

- A** non-profit companies
- B** close corporations
- C** personal liability companies
- D** public companies

(5 × 2) (10)

**Tip**

You must know the facts below because it will be easier to understand the factors for the success and failure of the different forms of ownership.

**1.2** Complete the table below and compare the various types of forms of ownership.

	Sole trader	Partnership	Private company	Public company	Non-profit company
Who is responsible for taxation?					
Who manages the business?					
How is the capital raised?					
How is profit shared?					
Who is liable for debts?					
How is business registered?					

(30)  
[40]

## **Consolidation**

### **QUESTION 2**

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

#### **BARNARD & SONS (BS)**

Barnard & Sons is a successful partnership, but the partners want to change to a form of ownership where they can sell shares to the public.

- 2.1.1** Name a new form of ownership that will be suitable for BS. (2)  
**2.1.2** Outline the advantages of the form of ownership identified in QUESTION 2.1.1 (6)  
**2.1.3** Explain the disadvantages of a partnership. (6)
- 2.2** Advise businesses on how the following criteria could contribute to the success and/or failure of a sole trader:
- 2.2.1** Taxation (4)  
**2.2.2** Division of profit (4)
- [22]**

# BUSINESS STUDIES GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

FORMAL ASSESSMENT TASK

TERM 3  
EXEMPLAR  
PROJECT

MARKS: 50

School: \_\_\_\_\_

Issue date: \_\_\_\_\_ Submission date: \_\_\_\_\_

Surname of learner: \_\_\_\_\_

Name of learner: \_\_\_\_\_

FINAL MARK:

50 marks

## INSTRUCTIONS TO LEARNERS

1. This project will assess the following topics:
  - Social responsibility
  - Corporate social investment
  - Human rights, inclusivity and environmental issues
  - Presentation and data response
2. Read the instructions of each questions carefully and respond appropriately.
3. Collect resources on your responses to answer QUESTIONS 1.1.1 and 1.1.2.
4. Submit your task on the submission date to avoid penalties.
5. Make sure you attach the front page and the rubric for marking your answers before submission.

*This project consists of 6 pages.*

## QUESTION 1: SOCIAL RESPONSIBILITY AND CORPORATE SOCIAL INVESTMENT

- 1.1 Read the statement below and answer the questions that follow.

In July 2021, it was reported that at least 40 000 South African businesses were looted, burned or vandalized during widespread rioting that broke out in Kwa Zulu Natal and Gauteng.

Source: [https://www.africanews.com/2021/07/21/south.africa](https://www.africanews.com/2021/07/21/south-africa)

- 1.1.1 Conduct research and list any THREE reasons, except politics, as for the looting of shops, malls, and the destruction of property that took place in Kwa Zulu Natal and Gauteng in July 2021. (3)

- 1.1.2 Discuss any CSI-projects that were undertaken by businesses to deal with EACH of the socio-economic issues mentioned in QUESTION 1.1.1 above. (2)

Use the table below as a GUIDE to answer QUESTION 1.1.1 - 1.1.2

SOCIO-ECONOMIC ISSUES (1.1.1)	CSI PROJECTS (1.1.2)
1.	
2.	
3.	

- 1.2 Discuss ways in which businesses can contribute time and effort in improving the well-being of their employees. (5)

## QUESTION 2: HUMAN RIGHTS

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

### DUBE CONSTRUCTION LTD (DCL)

The directors of Dube Construction Ltd promotes the human rights of their employees. DCL ensures that all employees received a copy of their employment contract. Personal information about their employees are kept confidential. DCL always ensures that workers receive equal pay for work of equal value.

- 2.1.1 Identify THREE types of human rights that DCL promotes. Motivate your answer by quoting from the scenario. (5)

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

TYPES OF HUMAN RIGHTS	MOTIVATIONS
1.	
2.	
3.	

- 2.1.2 Suggest ways in which businesses can promote the right to safety/security and protection of life in the workplace. (5)

## QUESTION 3: DIVERSITY ISSUES

- 3.1 Read the case study below and answer the questions that follow.

According to the Economist Intelligence Unit, up to 64% of businesses believe that language barriers are preventing their progress towards international expansion. Chinese and Brazilian companies are affected the most by financial loss due to language barriers.

Source: <https://www.business2community.com/marketing/businesses-can-deal-language-barriers-01679524>

- 3.1.1 Explain how businesses can deal with language as a diversity issue in the workplace. (5)

- 3.1.2 Suggest ways in which businesses can deal with the issue of cultural differences as a diversity issue in the workplace. (5)

#### QUESTION 4: ENVIRONMENTAL ISSUES

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

##### HANSEN STEEL CONSTRUCTION (HSC)

The health and safety representatives at Hansen Steel Construction ensure that protective clothing is provided to all workers. They also identify potential dangers in the workplace. The health and safety representatives review measures to ensure the health and safety of workers.

- 4.1.1 Quote THREE roles of the health and safety representatives from the scenario above. (3)  
4.1.2 Outline other roles of the health and safety representatives in the workplace. (2)  
4.2 Explain the responsibilities of employees in promoting human health and safety in the workplace. (5)

#### QUESTION 5: PRESENTATION AND DATA RESPONSE

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

##### IBRAHIM COMMUNICATION (IC)

Suzy, the sales representative of Ibrahim Communications was requested to do a presentation on the sales of the business. She prepared the slide below for her presentation.

###### Report



Business is doing a lot  
worst this past three months  
Employees must work  
harder to get bonuses  
We must consider new  
products

- 5.1.1 Discuss the impact of PowerPoint slides in presentations. (5)  
5.1.2 Advise Suzy on the aspects that must be included when designing a multimedia presentation. (5)

[50]

## BUSINESS STUDIES GRADE 12

### RUBRIC TO ASSESS PROJECT

ASSESSMENT CRITERIA	0	1	2	3	4	5	TOTAL
Reasons for the looting of shops, malls and destruction of business property and suggested Corporate Social Investment projects to deal with looting.	Learners did not mention any reasons for the looting of shops, malls and the destruction of property and did not suggest corporate social investment projects to deal with the looting.  OR Learner did not mention any reasons for the looting of shops, malls and the destruction of business property suggested ONE corporate social investment project to deal with looting.	Learner mentioned ONE reason for the looting of shops, malls and the destruction of business property but made no suggestion of corporate social investment projects to deal with looting.  OR Learner did not mention any reasons for the looting of shops, malls and the destruction of business property suggested ONE corporate social investment project to deal with looting.	Learner mentioned TWO reasons for the looting of shops, malls and the destruction of business property but did not suggest any corporate social investment project to deal with looting.  OR Learner mentioned ONE reason for the looting of shops, malls and the destruction of business property, and suggested ONE corporate social investment project to deal with looting.	Learner mentioned TWO reasons for the looting of shops, malls and the destruction of business property, and suggested ONE corporate social investment project to deal with looting.  OR Learner mentioned ONE reason for the looting of shops, malls and the destruction of business property, and suggested TWO corporate social investment project to deal with looting.	Learner mentioned THREE reasons for the looting of shops, malls and the destruction of business property, and suggested ONE corporate social investment project to deal with looting.  OR Learner mentioned TWO reason for the looting of shops, malls and the destruction of business property, and suggested TWO corporate Social Investment projects to deal with looting.	Learner mentioned THREE reasons for the looting of shops, malls and the destruction of business property, and suggested TWO or THREE corporate social investment projects to deal with the looting.  OR Learner mentioned TWO reason for the looting of shops, malls and the destruction of business property, and suggested TWO corporate Social Investment projects to deal with looting.	Learner mentioned THREE reasons for the looting of shops, malls and the destruction of business property, and suggested TWO or THREE or FOUR motivations from the scenario and gave ONE motivation of it.  OR Learner mentioned TWO types of human rights from the scenario and gave TWO motivations.
Ways to contribute to the well-being of employees of the business.	Learner did not give any way to contribute to the well-being of employees of the business.	Learner gave ONE way to contribute to the well-being of employees of the business.	Learner gave TWO ways to contribute to the well-being of employees of the business.	Learner gave THREE ways to contribute to the well-being of employees of the business.	Learner gave FOUR ways to contribute to the well-being of employees of the business.	Learner gave FIVE ways to contribute to the well-being of employees of the business.	Learner gave FIVE ways to contribute to the well-being of employees of the business.
Identification of types of human rights with motivations from scenario.	Learner did not mention any type of human right and gave no motivation of it.	Learner mentioned ONE type of human right but gave no motivation from the scenario.	Learner mentioned only ONE type of human right but gave ONE motivation from the scenario.	Learner mentioned THREE types of human rights from the scenario and gave ONE motivation of it.	Learner mentioned ONE motivation of it.	Learner mentioned THREE types of human rights from the scenario and gave TWO or THREE motivations from the scenario.	Learner mentioned TWO types of human rights from the scenario and gave TWO motivations.

ASSESSMENT CRITERIA		0	1	2	3	4	5	TOTAL
Ways in which businesses can promote the right of safety/security and protection of life.	Learner did not mention any strategy to promote the right of safety/security and protection of life of their employees or clients.	Learner mentioned ONE strategy to promote the right of safety/security and protection of life of their employees or clients.	Learner mentioned TWO strategies to promote the right of safety/security and protection of life of their employees or clients.	Learner mentioned THREE strategies to promote the right of safety/security and protection of life of their employees or clients.	Learner mentioned FOUR strategies to promote the right of safety/security and protection of life of their employees or clients.	Learner mentioned FIVE strategies to promote the right of safety/security and protection of life of their employees or clients.	Learner mentioned FIVE strategies to promote the right of safety/security and protection of life of their employees or clients.	5
Ways in which businesses can deal with language as a diversity issue in the workplace.	Learner did not mention any strategy to deal with language as a diversity issue in the workplace.	Learner mentioned ONE strategy to deal with language as a diversity issue in the workplace.	Learner mentioned TWO strategies to deal with language as a diversity issue in the workplace.	Learner mentioned THREE strategies to deal with language as a diversity issue in the workplace.	Learner mentioned FOUR strategies to deal with language as a diversity issue in the workplace.	Learner mentioned FIVE strategies to deal with language as a diversity issue in the workplace.	Learner mentioned FIVE strategies to deal with language as a diversity issue in the workplace.	5
Ways in which businesses can deal with the issue of cultural differences as a diversity issue in the workplace.	Learner did not mention any strategy to deal with cultural differences as a diversity issue in the workplace.	Learner mentioned ONE strategy to deal with the cultural differences as a diversity issue in the workplace.	Learner mentioned TWO strategies to deal with the cultural differences as a diversity issue in the workplace.	Learner mentioned THREE strategies to deal with the cultural differences as a diversity issue in the workplace.	Learner mentioned FOUR strategies to deal with the cultural differences as a diversity issue in the workplace.	Learner mentioned FIVE strategies to deal with the cultural differences as a diversity issue in the workplace.	Learner mentioned FIVE strategies to deal with the cultural differences as a diversity issue in the workplace.	5
Roles of health and safety representatives.	Learner did not identify any roles from the scenario and neither gave other roles of health and safety representatives.	Learner identified ONE role from the scenario and gave no other roles of health and safety representatives.	Learner identified TWO roles from the scenario and gave ONE other role of health and safety representatives.	Learner identified THREE roles from the scenario and gave ONE other role of health and safety representatives.	Learner identified FOUR roles from the scenario and gave ONE other role of health and safety representatives.	Learner identified FIVE roles from the scenario and gave ONE other role of health and safety representatives.	Learner identified TWO other roles from the scenario and gave ONE other role of health and safety representatives.	5
Responsibilities of employees in protecting human health and safety in the workplace.	Learner did not identify any responsibility of employees in protecting human health and safety in the workplace.	Learner identified ONE responsibility of employees in protecting human health and safety in the workplace.	Learner identified TWO responsibilities of employees in protecting human health and safety in the workplace.	Learner identified THREE responsibilities of employees in protecting human health and safety in the workplace.	Learner identified FOUR responsibilities of employees in protecting human health and safety in the workplace.	Learner identified FIVE responsibilities of employees in protecting human health and safety in the workplace.	Learner identified FIVE responsibilities of employees in protecting human health and safety in the workplace.	5

ASSESSMENT CRITERIA	0	1	2	3	4	5	TOTAL
Multimedia aspects	Learner did not make recommendations on aspects that must be included in the multimedia presentation.	Learner only made ONE recommendation on aspects that must be included in the multimedia presentation.	Learner only made TWO recommendations on aspects that must be included in the multimedia presentation.	Learner only made THREE recommendations on aspects that must be included in the multimedia presentation.	Learner only made FOUR recommendations on aspects that must be included in the multimedia presentation.	Learner made FIVE recommendations on aspects that must be included in the multimedia presentation.	5
Impact of PowerPoint slides	Learner did not mention any advantage and/or disadvantage of PowerPoint slides.	Learner mentioned ONE advantage and/or disadvantage of PowerPoint slides.	Learner mentioned TWO advantages and/or disadvantages of PowerPoint slides.	Learner mentioned THREE advantages and/or disadvantages of PowerPoint slides.	Learner mentioned FOUR advantages and/or disadvantages of PowerPoint slides.	Learner mentioned FIVE advantages and/or disadvantages of PowerPoint slides.	5

MARKS OBTAINED:					

# BUSINESS STUDIES

## GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

FORMAL ASSESSMENT TASK

TERM 3

EXEMPLAR

PRELIMINARY EXAMINATION PAPER 1

MARKS: 150

TIME: 2 HOURS

### Instructions and information

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 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
A Objective-type questions COMPULSORY	1	30	30
B THREE direct/indirect type questions CHOICE (Answer any TWO.)	2	40	30
	3	40	30
	4	40	30
C TWO essay-type questions CHOICE (Answer any ONE.)	5	40	30
	6	40	30
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

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

***This question paper consists of 5 pages.***

## 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 numbers (1.1.1 to 1.1.5) in the ANSWER BOOK, e.g. 1.1.6 D.

**1.1.1** The ... makes provision for the establishment of the Commission for Consolation, Mediation and Arbitration (CCMA).

- A** Labour Relations Act, 1995 (No 66 of 1995)
- B** Employment Equity Act, 1998 (Act 55 of 1998)
- C** National Credit Act, 2005 (Act 34 of 2005)
- D** Skills Development Act, 1998 (Act 97 of 1998)

**1.1.2** Businesses compile a ... analysis to identify their strengths and weaknesses.

- A** Porter's Five Forces model
- B** PESTLE
- C** SCAMPER
- D** SWOT

**1.1.3** This business can be classified under the tertiary sector.

- A** William Training & Development CC
- B** William Furniture Manufacturers
- C** Sibusisiwe Mining Company
- D** Nandewar Corn Growers

**1.1.4** Businesses use ... as a source of internal recruitment to advertise for a vacant post.

- A** electronic media
- B** networking
- C** intranet
- D** internet

**1.1.5** The ... function ensures that accurate information is available for management to make good management decisions.

- A** marketing
- B** financial
- C** public relations
- D** administration

(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 to 1.2.5) in the ANSWER BOOK.

Consumer Protection; recruitment; nepotism; backward; SWOT; PESTLE;

Compensation for Occupational Injuries and Diseases; fronting; screening; forward

**1.2.1** The ... Act creates a framework for health and safety of employees in the workplace.

**1.2.2** The human resource manager of UUY Limited implemented ... as part of the selection process when she evaluated the applicants' Curriculum Vitae.

**1.2.3** The directors of Zaza (Pty) Ltd included the name of their truck driver on the list of their directors. This is known as ...

**1.2.4** Moya Milk Stores chose the ... integration strategy when they took over Doodah Dairy Farm.

**1.2.5** Benno Enterprises used a ... analysis to identify factors in the macro environment which pose challenges to their 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 numbers (1.3.1 to 1.3.5) in the ANSWER BOOK, e.g. 1.3.6.K.

COLUMN A	COLUMN B
1.3.1 General management	A workers are paid according to the number of items produced
1.3.2 Employment Equity Act	B purposefully redresses imbalances of the past through education and training
1.3.3 National Skills Development Strategy	C addresses skills shortages in the South African workforce
1.3.4 Learnership	D provides training opportunity that requires employees to only attend external practice courses
1.3.5 Piecemeal	E develops new marketing plans F effectively communicates shared vision, mission and values G provides training opportunities that can lead to a recognised occupational qualification H encourages good quality training in the workplace to ensure on-going development of skills I promotes equal opportunity and fair treatment for all workers in the workplace J workers are paid for the amount of time they spend on a task

(5 × 2) (10)

#### TOTAL SECTION A

[30]

## SECTION B

Answer any TWO questions in this section.

NOTE: Clearly indicate the QUESTION NUMBER of each question that you choose. The answer to EACH question must start on a NEW page, e.g. QUESTION 2 on a NEW page. QUESTION 3 on a NEW page.

### QUESTION 2 BUSINESS ENVIRONMENTS

- 2.1** Name any FIVE PESTLE analysis factors. (5)  
**2.2** Describe any TWO types of integration strategies. (6)  
**2.3** Identify the leave provision stipulated in the Basic Conditions of Employment Act (BCEA), 1997 (Act 75 of 1997) that Jack Trading complied with in EACH statement below.  
**2.3.1** Employees are allowed to take one day leave for every 17 hours worked.  
**2.3.2** Peter, one of their employees was allowed six weeks paid leave to recover from his neck operation.  
**2.3.3** Melville took two days leave to prepare his mother's funeral arrangements. (6)  
**2.4** Elaborate on the meaning of *market penetration* as a type of intensive strategy. (4)  
**2.5** Read the scenario below and answer the questions that follow.

#### HELENA BAKERIES (HB)

The employees of Helena Bakeries embarked on a legal strike due to a dispute about a salary increase. HB buys their raw material from Abdulla's Mills who does not deliver the products timeously. The government has increased the interest rate, making it difficult for HB to borrow money from the bank.

Use the table below as a GUIDE to answer QUESTION 2.5.1 to 2.5.3.

CHALLENGES 2.5.1	BUSINESS ENVIRONMENTS 2.5.2	EXTENT OF CONTROL 2.5.3

- 2.5.1** Quote THREE challenges for HB from the scenario above. (3)  
**2.5.2** Classify HB's challenges according to the THREE business environments (3)  
**2.5.3** State the extent of control that HB has over EACH business environment. (3)

- 2.6** Differentiate between *Black Economic Empowerment (BEE)* and *Broad-Black Economic Empowerment Act (BBBEE)*. (4)
- 2.7** Advise businesses on ways in which they can comply with Compensation for Occupational Injuries and Diseases Act, 1997 (Act 61 of 1997.) (6)
- [40]**

### QUESTION 3 BUSINESS OPERATIONS

- 3.1** Name any SIX aspects that must be included in an employment contract. (6)
- 3.2** Identify the Act applied by the human resource manager at Agama Ltd in EACH statement below.
- 3.2.1** Employees are allowed to join a trade union of their choice.
- 3.2.2** They ensure that the workplace represents the demographics of the country.
- 3.2.3** Employees are not forced to work overtime. (6)
- 3.3** Explain the role of the interviewer during the interview. (8)
- 3.4** Distinguish between *quality control* and *quality assurance*. (8)
- 3.5** Read the scenario below and answer the question that follow.

#### BREAD AND COOKIES FACTORY (BCF)

Bread and Cookies Factory is well known for selling high quality products. BCF always conducts surveys to find out about the experience of the buyers using their products. BFC is able to purchase quality raw materials and equipment required for expansion.

Identify TWO TQM elements applied by BCF. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 3.5.

TQM ELEMENT	MOTIVATIONS
1.	
2.	

- 3.6** Suggest ways in which TQM can reduce the cost of quality. (6)
- [40]**

### QUESTION 4 MISCELLANEOUS TOPICS

#### BUSINESS ENVIRONMENTS

- 4.1** List any FOUR pillars of the Broad-Based Black Economic Empowerment Act (BBBEE), 2003 (Act 53 of 2003). (4)
- 4.2** Read the scenario below and answer the questions that follow.

#### ANDILE QUICK CASH (AQC)

Andile Quick Cash makes cash available to any person regardless of their financial status.

- 4.2.1** Identify the Act that is violated by AQC. (2)
- 4.2.2** Explain penalties that AQC may face for not complying with the Act identified in QUESTION 4.2.1. (4)
- 4.3** Identify the element of Porter's Five Forces model applied by Denise Designers in EACH statements below:
- 4.3.1** Denise Designers buys all their material from Jasmin Traders, which is the only seller in the market. (2)
- 4.3.2** Pamela Designers offers similar services at reasonable prices. (2)
- 4.3.3** Some of their customers use home-made products as they can no longer afford to buy products from retail stores. (2)
- 4.4** Discuss the advantages of diversification strategies. (4)

**BUSINESS OPERATIONS**

- 4.5 Name any FOUR sources of external recruitment. (4)
- 4.6 Read the scenario below and answer the question that follow.

**NADINE ENTERPRISE (NE)**

Nadine Enterprise sells a variety of goods and services in various outlets. NE decided to terminate Jan's employment contact due to unsatisfactory job performance. NE also terminated Mpho's employment contract due to operational reasons.

Identify TWO reasons why NE terminated Jan and Mpho's employment contracts. Motivate your answer by quoting from the scenario above. (6)

REASONS FOR THE TERMINATION OF THE EMPLOYMENT CONTRACTS	MOTIVATIONS
1.	
2.	

- 4.7 Explain the benefits of a good quality management system. (4)
- 4.8 Advise businesses on the role of quality circles as part of continuous improvement to processes and systems. (6)

**[40]****TOTAL SECTION B****[80]****SECTION C**

Answer ONE question in this section.

NOTE: Clearly indicate the QUESTION NUMER of the chosen question. The answer to EACH question must start on a NEW page e.g. QUESTION 5 on a NEW page or QUESTION 6 on a NEW PAGE.

**QUESTION 5 BUSINESS ENVIRONMENTS (LEGISLATION)**

The Skills Development Act (No. 97 of 1998), SDA was introduced to develop the skills of people in South Africa. The government established SETAs to support the implementation of Skills Development Act. Businesses must comply with the SDA to avoid unnecessary penalties for non-compliance with this Act.

Write an essay on the Skills Development Act in which you include the following aspects:

- Outline the purpose of the Skills Development Act.
- Discuss the role of SETAs in supporting the implementation of SDA.
- Evaluate the impact of the SDA on businesses.
- Recommend ways in which businesses can comply with the SDA.

**[40]****QUESTION 6 BUSINESS OPERATIONS (HUMAN RESOURCES FUNCTION)**

Successful businesses clearly describe the job description and job specification before advertising vacant positions. The selection procedure and interview processes enable businesses to appoint the best people for the job. They also offer fringe benefits to keep their employees happy and satisfied.

Write an essay on the human resource function in which you include the following aspects:

- Outline the differences between *job description* and *job specification*
- Explain the selection procedure.
- Discuss the purpose of an interview.
- Advise business on the impact of fringe benefits.

**[40]****TOTAL SECTION C****[40]****GRAND TOTAL****150**

# BUSINESS STUDIES GRADE 12

SCHOOL-BASED ASSESSMENT (SBA)

FORMAL ASSESSMENT TASK

TERM 3

EXEMPLAR

PRELIMINARY EXAMINATION PAPER 2

MARKS: 150

TIME: 2 HOURS

## Instructions and information

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
A Objective-type questions COMPULSORY	1	30	30
B THREE direct/indirect type questions CHOICE (Answer any TWO.)	2	40	30
	3	40	30
	4	40	30
C TWO essay-type questions CHOICE (Answer any ONE.)	5	40	30
	6	40	30
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

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

*This question paper consists of 5 pages.*

## SECTION A (COMPULSORY)

### QUESTION 1

**1.4** 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) in the ANSWER BOOK, for example, 1.1.6 D.

- 1.1.1** Businesses use team dynamic theories to ... ....  
A allocate task to team members with similar personalities.  
B allocate tasks according to the roles of team members.  
C promotes total satisfaction.  
D establish good relationships with teams.
- 1.1.2** The amount that the insured must pay when a claim is lodged is known as ...  
A premium.  
B interest.  
C excess.  
D book value.
- 1.1.3** The financial manager of Kobbie Trading uses ... to display sales figures in columns to the directors.  
A bar graphs  
B line graphs  
C sector diagrams  
D venn-diagrams
- 1.1.4** The ... technique requires that each employee first generate their ideas silently and then share them with colleagues.  
A brainstorming  
B nominal group  
C force-field analysis  
D Delphi
- 1.1.5** This form of ownership is established by a group of people who agree to work together for their mutual economic benefit.  
A Co-operative  
B Close corporation  
C Personal-liability company  
D Public company

(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 to 1.2.5) in the ANSWER BOOK.

Road Accident;	race;	unit trusts;	private;	simple interest;	language;
RSA Retail Savings Bonds;	personal liability;	compound interest;	Unemployment Insurance		

- 1.2.1** Zander lost his job at Saputo Manufacturers and claimed the ... Fund from the Department of Labour.
- 1.2.2** Beata earned ... calculated on the principal amount and accumulated interest.
- 1.2.3** Nalco Ltd appoints an interpreter so that all employees understanding what is said in the meeting. They are dealing with ... as a diversity issue.
- 1.2.4** As a minimum requirement, Thembi invested R1 000 in ...
- 1.2.5** In a ... company the current and past directors are jointly and severally responsible for the debts of the company.

(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) in the ANSWER BOOK, for example, 1.3.6.K

COLUMN A	COLUMN B
1.3.1 Insurable risk	A change in fashion
1.3.2 Creative thinking	B pricing of goods in rural areas
1.3.3 Unprofessional business practice	C receive compensation for unpaid dividends
1.3.4 Tax evasion	D uses routine methods to solve problems
1.3.5 Founders shares	E a worker overstated the hours she worked on a project.
	F money in transit
	G uses non-routine methods to solve problems
	H abuse of worktime
	I the business falsifies profit margins to complete tax claim forms
	J receive dividends for establishing a business

(5 × 2) (10)  
[30]

**TOTAL SECTION A:**

## SECTION B

Answer any TWO questions in this section.

NOTE: Clearly indicate the QUESTION NUMBER of each question that you choose. The answer to EACH question must start on a NEW page, e.g. QUESTION 2 on a NEW page. QUESTION 3 on a NEW page.

**QUESTION 2 BUSINESS VENTURES**

- 2.1** Name any FOUR principles of insurance. (4)
- 2.2** Identify the type of investments of Nana Enterprises in EACH of the following statements.
- 2.2.1** Nana Enterprises invested R40 000 with BNF Bank for 3 years at an interest rate of 7% in a conservative investment. (4)
- 2.2.2** Nana Enterprises asked a portfolio manager to invest R20 000 combined with other investors in blue chip shares. (4)
- 2.3** Outline the functions of the Johannesburg Securities Exchange (JSE) (6)
- 2.4** Explain the advantages of insurance for businesses. (6)
- 2.5** Read the scenario below and answer the questions that follow.

**SYS SHOE MANUFACTURERS (SSM)**

Tashreeq, the financial manager of Sys Shoe Manufacturers must make a presentation to the shareholders at the AGM. He will give his audience copies of his presentation at the end of the presentation. He also decided to use visual aids that can easily be controlled by the touch of a finger.

- 2.5.1** Identify TWO visual aids used by Tashreeq. Motivate your answer by quoting from the scenario above. (6)

VISUAL AIDS	MOTIVATIONS
1.	
2.	

(6)

- 2.5.2** Advise Tashreeq on how to respond to questions after the presentation in a non-aggressive and professional manner. (6)

- 2.6** Explain how the following factors can contribute to the success and/or failure of their partnership:

- 2.6.1** Management (4)
- 2.6.2** Capital (4)

[40]

### QUESTION 3 BUSINESS ROLES

- 3.1 Outline any TWO economic rights of employees in the workplace. (4)
- 3.2 Identify the following human rights applied in Roberto's Spare Shop in EACH Statement below.
- 3.2.1 Roberto treats all his employees the same regardless of their socio-economic status.
- 3.2.2 Employees can raise their grievances without fear of victimisation.
- 3.2.3 Employees work in a safe working environment that is free from hazardous products. (6)
- 3.3 Explain the difference between *ethical behaviour* and *professional behaviour*. (4)
- 3.4 Suggest ways in which businesses can deal with difficult employees in the workplace. (8)
- 3.5 Read the scenario below and answer the questions that follow.

#### TSEPO TRADERS (TT)

The management of Tsepo Traders appointed Thandi to work on their advertising campaign project. Thandi requested Johan, Mohammed, Elise and Chantelle to join her in the project. Thandi gives credit to members for their positive contributions. She also ensures that all team members take part in decision making.

Identify TWO criteria for successful team performance applied by Thandi. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 3.5.

CRITERIA	MOTIVATIONS
1.	
2.	

(6)

- 3.6 Explain ways in which businesses can deal with gender as a diversity issue in the workplace. (6)
- 3.7 Discuss the impact of the Force-field analysis as a problem-solving technique. (6)

[40]

### QUESTION 4 MISCELLANEOUS TOPICS

#### BUSINESS VENTURES

- 4.1 Name any FOUR types of preference shares. (4)
- 4.2 Read the scenario below and answer the question that follow.

#### ABBY LTD (AL)

Abby LTD insured their stock for R5 000 while the actual value is R8 000. The stock caught fire, resulting in damage to the amount of R4 000.

- 4.2.1 Name the insurance clause that is applicable to AT in the scenario above. (2)
- 4.2.2 Calculate the amount that ABBY Ltd should receive as compensation from the insurer. Show all workings. (4)
- 4.3 Explain the difference between *limited liability* and *unlimited liability*. (4)
- 4.4 Advise presenters on the aspects that must be considered when designing a multimedia presentation. (6)

#### BUSINESS ROLES

- 4.5 State any FOUR stages of team development. (4)
- 4.6 Read the scenario below and answer the question that follow.

#### FARIED CONSTRUCTION LIMITED (FCL)

Faried Construction Limited specialises in building businesses premises and residential houses. The management of FCL ensures that their employees and shareholders are aware of the company's employment policies. They also ensure that regular communication between management and stakeholders takes place. The management of FCL always conducts business activities professionally, responsibly and ethically.

- 4.6.1** Identify TWO King Code principles for good corporate governance applied by FCL. Motivate your answer by quoting from the scenario on the previous page.

Use the table below as a GUIDE to answer QUESTION 4.6.1.

KING CODE PRINCIPLES	MOTIVATIONS
1.	
2.	

(6)

- 4.6.2** Explain ways in which professional, responsible, ethical and effective business practice should be conducted. (4)

- 4.7** Recommend strategies businesses may use to protect the environment and human health. (6)

[40]

**TOTAL SECTION B:** [80]

## SECTION C

Answer ONE questions in this section.

NOTE: Clearly indicate the QUESTION NUMBER of the chosen question. The answer to EACH question must start on a NEW page, e.g. QUESTION 5 on a NEW page OR QUESTION 6 on a NEW page.

### QUESTION 5 BUSINESS VENTURES (MANAGEMENT AND LEADERSHIP)

Successful businesses have good leaders and managers who lead from the front. Many people agree that leaders with a positive attitude achieve the business goals. Excellent leaders follow a situational leadership theory as a guideline on how to lead and manage people. Other leaders prefer the Laissez-Faire leadership style to lead their followers.

Write an essay on management and leadership in which you include the following aspects:

- Outline the differences between *management* and *leadership*.
- Explain the role of personal attitude in successful leadership.
- Discuss the situational leadership theory.
- Advise businesses on the impact of the laissez-faire leadership style on businesses.

[40]

### QUESTION 6 BUSINESS ROLES (SOCIAL RESPONSIBILITY, CSR AND CSI)

Businesses are expected to fulfil their social responsibilities through corporate social responsibility (CSR). Businesses must be well conversant with the relationship between social responsibility and the triple bottom line. They are also required to contribute time and effort in improving the wellbeing of their employees.

Write an essay on social responsibility and corporate social responsibility in which you include the following aspects:

- Outline the purpose of corporate social responsibility.
- Explain the relationship between social responsibility and the triple bottom line.
- Analyse the impact of CSR on businesses.
- Recommend ways in which businesses can contribute time and effort in improving the well-being of their employees.

[40]

**TOTAL SECTION C** [40]

**GRAND TOTAL** [150]

# GLOSSARY

## A

**administratively burdensome** the implementation of the Act involves large amounts of paperwork and administration

**affirmative action** the policy and process of providing preferences in employment opportunities for previously disadvantaged people. Affirmative action is, therefore, a policy embedded in the EEA

## B

**bargaining councils** negotiations between trade union representatives and employer organisations on labour-related issues such as demand for higher wages or improved working conditions

**barriers of new entrants to the market** the existing barriers that prevent new entrants from entering the market successfully

**BBBEE scorecards** measure a business's compliance with BBBEE and a certificate is issued to the business that stipulates its BBBEE rating

**black** in the context of BBBEE is a generic term for all Africans, coloureds and Indians who are citizens of South Africa by birth or descent, or who became naturalised citizens of South Africa before April 1994

**blacklisting** the act of placing a judgement against the name of a bad debtor that fails to repay debt after several attempts have been made by the credit provider to recover the debt. The judgement against the name of the bad debtor means that the debtor will legally be prevented from purchasing goods on credit for a set period, for example, 5 years

## C

**captivate** retain the interest of the audience

**CCMA** an independent dispute resolution body that promotes cooperation and industrial peace

**collective** as a group

**collective bargaining** the process of engaging and solving labour disputes collectively between trade union representatives and employer organisations

**collective bargaining** the process of engaging and solving labour disputes collectively between trade union representatives and employer organisations

**Compensation Board** a statutory body of the Compensation Fund which advises the Minister of Labour on issues such as policy matters, annual benefit increases, appointing assessors and amendments to COIDA

**competitive intensity** the degree of competition within the market/industry

**competitive position** the position of the business is measured against the competitive/rival businesses within the market/industry

**competitive strength** the strength of the business in the context of competition in relation to other competitive/rival businesses within the market/industry

**competitor's profile** the systematic gathering of data of a competitor that the business uses to enhance its competitive position

**complemented** supported by

**compliance order** a document issued by a court of law to a business that forces the business to comply with a specific aspect of a legislation/ruling

**compromise** accept something different from your original position

**conflict** disagreement between parties

**constructive** useful advice/helpful advice

**contrast** the state of being strikingly different from one another

**converse** the opposite effect

**copyright** the legal right to the owner of an original creation

**cordial** in a friendly way

**correspond** are in agreement

**cronyism** providing friends with positions, promotions or opportunities but are not qualified for the position

**Curriculum Vitae (CV)** a brief account/summary of the education, qualifications, experience, skills, previous occupations, and special personality traits of an individual that is used when applying for a job

## D

**defensive strategies** the business uses defensive strategies to defend the existence/survival/operations of the business during times of financial difficulty/turmoil/defend itself from competitors

**delegated** to choose someone to act on behalf of the business

**delegates** represent the leader in decision making structures

**deviations** actions that depart/differ from the required/established course of action/standards/requirements

**disclosure** providing all the information required by investors

**discriminatory** the action of making prejudicial/racial (and other) distinctions between people

**dissipate** will disappear

**distribution system** the sequential flow of activities/systems/procedures facilitates the movement of products/services from the source to end-user/final consumers

**distributors** businesses that sell goods/services to user-end/final consumers

**diversification strategies** used to expand/extend business operations by adding products/services/markets/stages of production of the existing business into new markets/market segments

## E

**employee attrition rates** the rate at which the business can retain its employees

**employment equity plan** a document that outlines how the business intends to achieve employment equity over five years

**engage** actively working with others

**equity** fair and equal treatment in the workplace/society

**escalation** become more serious

**execute** carry out an instruction

**expeditiously** completely something quickly

**external recruitment** the process of sourcing potential candidates for certain available posts from outside the business

## F

**FICA** South Africa's primary anti-monetary laundering and counter-terrorism financing legislation

**fringe benefits** fringe benefits are benefits provided by the business to employees in addition to their salaries

**fronting** businesses that pretend to be BBBEE compliant by falsifying information related to BBBEE or lying about the management positions of black employees and pretending to appoint black employees in certain positions

**functionalities** different uses

## G

**goodwill** an attitude of kindness

**guaranteed** certain to get/certain to happen

## H

**hedging** an investment that shields your finances from the possibility of risks

**hyperlinks** a link from one document to the content of another document

**I**  
**impediments** obstructions that may prevent something from happening

**industrial analysis tool** a specific tool/technique/method/process that is used by a business to analyse a particular business environment/different business environments

**industry downturn** the general slowdown in business activity within a particular industry/market mainly because of a decline in sales

**inevitable** bound to happen

**infuse** put in place

**injustices** unfair actions that violate human rights

**integration strategies** used by businesses to gain control over suppliers/distributors/competitors

**intensive strategies** intensive strategies require intensive efforts by the business to improve its competitive advantage/position with existing or new products in the market, to increase/improve the profitability of the business

**internal recruitment** the process of sourcing potential candidates for certain available posts from within the business

**interview** a formal meeting where information is exchanged between the interviewer and the interviewee/respondent/applicant

**interviewee** the applicant/candidate that answers the questions during the interview

**interviewer** the individual/manager responsible for asking questions during the interview/conducting the interview

## L

**Labour Appeal Court** can reverse/amend any judgments/orders made by the Labour Court

**Labour Court** adjudicates on matters relating to labour disputes that cannot be resolved by the CCMA

**legible** information/documents that are clearly readable to the reader

**lockout** occurs when an employer prevents (literally locks out) employees from entering the business premises during strike action and labour dispute resolution processes to prevent looting and damages to property

## M

- market share** the portion of the market/customers to which the business sells products/services
- marketing campaigns** marketing campaigns are used by the business to promote/advertise its products/services with the aid of different forms of media/online platforms
- methodology** a systematic/sequential process of conducting a particular activity
- minimum wages** the lowest wage level permitted by law
- monopoly** characterised by one business that sells a unique product and dominates the market

## N

- NCC** the primary regulator of consumer-and-business interactions in South Africa and was established to promote and ensure the economic welfare of consumers
- NCR** the regulatory body that applies the NCA educates consumers about their rights, and monitors, administers and ensures adherence of the NCA and the credit industry
- nepotism** providing family with positions, promotions or opportunities but are not qualified for the position

## O

- operational reasons** decisions are taken by the business to ensure that regular/current/existing operations may continue to exist
- optimally** the most favourable way

## P

- passionate** showing strong feelings
- philanthropic** acts that aim to uplift others and their circumstances
- portfolio** different investment options of an investor
- power of buyers** the ability of buyers to influence the business to decrease/drop the price of the product/service
- power of competitors** the degree/amount of power of existing/current competitors within the market
- power of suppliers** the ability of suppliers to increase the price of the supplied product/service
- pre-conceived** already formed an opinion
- precedes** immediately before something
- preliminary interviews** a short form of interviewing potential candidates to determine which candidates meet the specific criteria
- prevailing** existing at a particular period

**price wars** a competitive strategy used by a business to purposefully lower prices to reduce the ability of competitors to charge lower prices/drive competitors out of the industry/gain and retain customers

**primary sector** extracts/exploits/collects/harvests natural resources/raw materials from the earth

**promulgated** the process of passing legislation in parliament so that it becomes an official law in South Africa

**purchasing power** refers to the number of goods the currency of a country can buy

**pursuit** achieving what is set out as a goal

## R

**redress** to address the wrongs/violations of apartheid

**redundant** no longer required

**refrain** stop yourself from doing something

**resolve** to find a solution

**revoked** the business licence can be officially cancelled or repealed by the Labour Court

## S

**secondary sector** focuses on the manufacturing/processing/converting/transforming of natural resources/raw materials into semi-finished/finished products

**security** an asset that is guaranteed by the person requiring funding, providing the financial institution protection should the borrower not be in a position to repay a loan/debt

**selection** choosing a qualified candidate/applicant for an available post based on the requirements of job analysis

**selection procedure** the process that needs to be followed before appointments are made

**services** an action/performance of intangible activities offered by one party to another

**silos** departments/groups within large businesses fail to/do not share information/resources/knowledge with other individuals/departments/groups with whom they work

**stakeholders** persons/parties that have an interest in the business

**stifled** stopped from doing something considered meaningful

**suppliers** businesses that provide inputs/raw materials/semi-finished goods/products to the business

**supply chain/production chain** refers to all the steps/processes required to get the product to the customer through the primary, secondary, and tertiary business sectors

**surplus funds** additional funds that an investor may have

**T**

**termination** the end of an investment

**tertiary sector** provides/distributes final products and services to customers

**thought revolution** a significant change/transformation to existing ideas/perceptions/beliefs and the effective application thereof

**threat of substitution** the ease at which the product/service of the business can be replaced by a cheaper/inferior alternative

**timeous** in time

**traits** distinguishing characteristics

