



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS)

WINTER CLASSES RESOURCE MATERIAL

GRADE 12

BUSINESS STUDIES

DBE REVISED NOTES

2023

ACKNOWLEDGEMENTS

- This document should serve as a guide and does not replace any CAPS policy documents, was developed for KZN Business Studies grade 12 teachers and learners.
- The content/notes are aligned to Examination Guidelines (2021).
- The NOTES provided in this document have been compiled by GAUTENG Department of Education and are in line with the recent addendum (2021-2022).
- Previous NSC & SCE papers, textbooks, study guides, examination guidelines and other sources relevant to the subject were used.
- Textbooks, examination guidelines, study guides and all other relevant CAPS documents should be used together with this document.

CONTENT OUTLINE

TOPIC	
1	Impact of Recent Legislation on Businesses
2	Human Resources Function
3	Ethics and Professionalism
4	Problem-Solving and Creative Thinking
5	Business Strategies
6	Business Sectors
7	Quality of performance
8	Management and Leadership
9	Investment Securities
10	Investment Insurance
11	Team performance and conflict Management
12	Human Rights, Inclusivity and Environmental issues
13	Social Responsibility and Corporate Social Responsibility
14	Presentation
15	Forms of Ownership

TERM ONE

BUSINESS ENVIRONMENTS

PAPER 1

TOPIC 1: THE IMPACT OF RECENT LEGISLATION ON BUSINESSES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Outline /Describe/ Explain/Discuss the purpose of all EIGHT Acts.
- Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/ disadvantages) of the Acts on businesses.
- Outline/Explain/Discuss actions regarded as noncompliance by the various Acts.
- Outline/Explain/Discuss penalties/consequences of non-compliance to the various Acts.
- Suggest/Recommend ways in which businesses can comply with the Acts.
- Outline/ Explain/Discuss the role/functions of SETAs in supporting the Skills Development Act (SDA), 1998 (Act 97 of 1998).
- Explain how SETAs are funded.
- Define/Elaborate on the meaning of learnerships.
- Explain the National Skills Development Strategy and the Human Resource Development Strategy (i.e., Sector Education and Training Authorities).

ALSO focus on the following regarding the Broad- Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) (BBBEE):

- 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
 - Name/Identify BBBEE pillars from scenarios/case studies
- Name/Identify BBBEE pillars from scenarios/case studies.
- Recommend/Suggest ways in which businesses could apply the revised FIVE pillars of BBBEE in the workplace.

ALSO focus on the following regarding the BCEA, LRA, NCA & CPA:

- Outline/Explain/Describe/Discuss the provisions of the BCEA
- Outline/Explain/Describe/Discuss the rights of employers and employees in terms of the LRA
- Outline/Explain/Describe/Discuss the rights of consumers in terms of the NCA & CPA

TERMS AND DEFINITIONS

TERM	DEFINITION
Skills Development Act/SDA	The main aim of this Act is to improve the skill levels of people who are already employed in the business.
Skills Development Levy/SDL	It was introduced to ensure that businesses contribute to the development of skills of employees.
PDI's	Previously Disadvantaged Individuals or designated group.
SETAs	SETAs were established in order to implement and monitor the implementation of the Skills Development Act.
Labour Relations Act/LRA	This Act was introduced to promote simple procedures for the resolution of labour disputes in the workplace
Collective bargaining	Negotiations between employers' association and trade unions on matters such as wages/conditions of employment.
Collective agreement	Agreement between the employer organisations and trade unions.
Dispute	A disagreement between the employer and the employee
Bargain councils	It is formed by registered trade unions and employer organisations in order to prevent/resolve labour disputes.
Employment Equity Act/EEA	The main aim of this Act is to ensure that equal job opportunities are given to all people regardless of race/culture/language/age/religion/disability etc.
Affirmative Action	It was designed to ensure that suitable and qualified previously disadvantaged individuals are given equal job opportunities. Affirmative action forms part of the Employment Equity Act.
Basic Conditions of Employment Act/BCEA	This Act sets the minimum standard for employment in order to promote fair labour practice.
Compensation for Occupational Injuries and Diseases Act/COIDA	The Act gives employees who are injured or contract diseases while on duty the right to claim compensation.
Broad-Based Black Economic Empowerment Act/BBBEE	The Act was introduced in order to ensure full economic participation of previously disadvantaged individuals.
National Credit Act	This Act was introduced to protect consumers against unfair and reckless credit granting by businesses.
Credit providers	All businesses that offer goods and services on credit

National credit Regulator/NCR	The NCR is responsible for the <i>regulation</i> of the South African <i>credit</i> industry. This means that all businesses that offer goods and services on credit must be registered with the NCR.
Debt review/Debt counselling	This is a debt solution targeted at South African consumers who are over indebted and struggling to manage their finances.
Consumer Protection Act	The main aim of this Act is to promote/protect the economic interests of consumers by providing them information so that they make informed choices.
Compliance	Acting according to a set of rules
Penalties	Punishment for doing something that is against a law.
Discriminatory actions	Treating a person/people differently, from the way in which you treat other people.

THE SKILLS DEVELOPMENT ACT

Purpose of the Skills Development Act

- Develops the skills of people in South Africa in order to improve productivity
- Invests in education and training of workers
- Improves the chances of getting a job for previously disadvantaged people
- Encourages workers to participate in learning programmes.
- Redresses imbalances of the past through education and training
- Encourages businesses to improve the skills of their workers

Impact of the SDA on businesses

Positives/Advantages

- Trains employees to improve productivity in the workplace.
- Promotes self-employment and black entrepreneurship
- Increases the return on investment in education and training
- Workplace discrimination can be addressed through training.
- Workplace is used as an active learning environment where employees can gain practical job experience
- Business could become globally more competitive.
- Increases the number of skilled employees in areas where these skills are scarce.
- Encourages on-going skills development and learning to sustain the improvement of skills development.
- Improves employment opportunities and labour movement of workers from previously disadvantaged groups
- BBBEE-compliant businesses can improve their products/service delivery as they employ more skilled workers.

AND/OR

Negative/Disadvantages

- Increases cost as the process requires a large amount of paperwork.
- Implementation of the SDA can be difficult to monitor and control.

- Skills programmes may not always address training needs of employees.
- Skills Development Levy could be an extra burden to financially struggling businesses.
- It may be monitored and controlled by government departments that do not have education and training as their key priorities.
- The SETAs may not be well organised, and many courses offered by companies may not have unit standards that relate to the course content.
- Many service providers that offer training services are not SAQA accredited.
- Many businesses may not support this government initiative.
- Employees are expected to attend learnerships during work hours which could affect the production process/productivity.
- Costly for businesses to employ a person to implement, manage and control learnerships.
- The time and money spent on improving employee skills is wasted if they leave the business.
- Only companies with a staff payroll over R500 000 per annum✓ can claim the Skills Development levy.

Actions regarded as non-compliance by the SDA

- Preventing employees from signing for a learnership due to their age or position in the workplace.
- Unfair promotion of skills and development/training to certain employees.
- Providing employment services for gain without being registered as an employer.
- Furnishing false information in any prescribed document.

Penalties for non-compliance

- Businesses that do not pay the Skills Development Levy may not offer learnerships/claim grants from the SDA.
- A labour inspector could order the business to stop operating should the business be found guilty of illegal practices.

Ways in which businesses can comply with the SDA

- Employers who collect PAYE should register with SETAs.
- One per cent of an employer's payroll has to be paid over to the SETA.
- Businesses should register with SARS in the area in which their business is classified (in terms of the SETA).
- Employers should submit a workplace skills plan and provide evidence that it was implemented.
- Businesses with more than 50 employees must appoint a skills development facilitator.
- Assess the skills of employees to determine areas in which skills development are needed.
- Encourage employees to participate in learnerships and other training programmes.
- Provide all employees with the opportunity to improve their skills.

Role/functions of SETAs

- Report to the Director General.
- Promote and establishes learnerships.
- Collect levies and pays out grants as required.
- Provide accreditation for skills development facilitators.
- Register learnership agreements/learning programmes.
- Approve workplace skills plans and annual training reports.
- Monitor/Evaluate the actual training by service providers.
- Allocate grants to employers, education and training providers.
- Oversee training in different sectors of the South African economy.

- Develop skills plans in line with the National Skills Development Strategy
- Draw up skills development plans for their specific economic sectors.
- Provide training material/programmes for skills development facilitators.
- Pay out grants to companies that are complying with the requirements of the Skills Development Act.
- Promote learnerships and learning programmes by identifying suitable 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

Meaning of learnership

- Theoretical / practical training opportunities that can lead to a recognised qualification
- Structured learning programme completed during work hours for a specified period of time
- Agreement between a learner / trainee, employer and training provider
- May include employment for a specified period after learnership is completed
- Includes a training course with learning material as well as practical work experience.

Meaning of National Skills Development Strategy (NSDS)

- Increase access to programme that train people.
- Promote the public FET college system that has programme to meet the skills needed by SETA's /local/regional/national organisations.
- Address the low level of language and mathematical skills among the youth and adults.
- Make better use of workplace-based skills development.
- Encourage/ support small business/community-training groups/ NGO's/worker-initiated training initiatives.
- Guides work of SETA's /use of the National Skills Fund.
- Sets out the responsibilities of other education and training stakeholders.
- Provides for the participation of government/ organised business/ organised labour.
- Improves social development through economic development.

Meaning of Human Resource Development Strategy (HRDS)

- Addresses skills shortages in South African workforce.
- Aims at achieving faster economic growth/higher employment levels and reduced levels of poverty.
- Promotes social development/ social justice and helps alleviate poverty.

- Develops short-term and long-term workforce skills.
- Improves supply of skills.
- Increases employee participation in lifelong learning.

LABOUR RELATIONS ACT/LRA

Purpose of the Labour Relations

- Promotes collective bargaining at the workplace.
- Establishes Labour Courts and Labour Appeal Courts.
- Promotes fair labour practice between the employers and employees.
- Promotes workplace forums to accommodate employees in decision making.
- Provides for the right to lock-out by the employer as a reaction to lengthy strikes.
- Promotes simple procedures for the registration of trade unions and employer organisations
- Establishes the Commission for Conciliation, Mediation and Arbitration (CCMA) for dispute resolutions.
- Provides a framework/structure for labour relations between employers and employees.
- Clarifies the transfer of employment contracts between the existing and new employers.
- Advances economic development/social justice/labour peace to ensure that the workplace maintains the basic rights of employees.

Impact of the LRA on business

Positives/Advantages

- Promotes a healthy relationship between the employer and employees
- Protects the rights of businesses in labour related issues.
- Labour disputes are settled quicker and are less expensive.
- Workplace forums can add value to businesses if it functions properly.
- Protect employers who embark on lawful lock-outs when negotiations between parties fail.
- LRA provides for the principles of collective bargaining and puts structures in place with which disputes in the workplace can be settled.
- Provides specific guidelines for employers on correct and fair disciplinary procedures.
- Employers and employees have guidelines regarding correct and fair dismissal procedures.
- Provides mechanisms such as statutory councils/collective bargaining/ CCMA.
- Employers are entitled to compensation from the Labour Court if they suffered damages as a result of unprotected strikes.

AND/OR

Negatives/Disadvantages

- Reduced global competitiveness due to lower productivity
- Productivity may decrease if employees are allowed to participate in the activities of trade unions during work time.
- Costs of labour increases because of legal strikes.
- Employers may not get a court interdict to stop a strike.
- Employers may have to disclose information about workplace issues to union representatives that could be the core of their competitive advantage.
- Employers may not dismiss employees at will, as procedures have to be followed.
- Many employees take advantage of the right to strike without acknowledging their responsibilities.
- Many employees and employers do not understand/respect the Labour Relations Act.
- Strike actions always result in loss of production for which employers may not claim.
- Some trade unions may not promote the mandate of their members but embark on industrial action, which is harmful to labour relations between employers and employees.

- Some businesses may feel that the LRA gives employees too much power as it creates lengthy procedures, e.g. consulting with workplace forums.
- Labour disputes and bargaining council processes become disruptive/ time consuming and can lead to a decrease in productivity in businesses.

Actions regarded as non-compliance by the LRA

- Unfair/Illegal dismissal of employees.
- Preventing employees from joining trade unions.
- Refusing the establishment of workplace forums.
- Forcing employees to give up trade union membership.
- Not allowing employees to take part in legal strikes (Employees' rights)/ not adhering to the right of employees to strike when legalised
- Cancellation of employees' contracts by a new employer when a business is sold
- Refusing to give workplace forum members paid time off for attending meetings during working hours.
- Refusing leave to trade union representatives to attend trade union activities.
- Breaching of collective agreements/resolution mechanisms by either employer/employee.

Penalties for non-compliance with the LRA

- The employer may be forced to enter into a dispute resolution process.
- Businesses will be fined if they fail to comply with the agreements reached during the dispute resolution process.
- Businesses that fail to comply with this Act may risk financial costs e.g. legal/CCMA fees and fines.

Ways in which businesses can comply with the LRA

- Employees should not be unfairly/illegally dismissed
- Allow/Support the establishment of workplace forums.
- Employers should not breach/ignore any collective agreement
- Businesses must allow employees to form trade unions/participate in union activities/legal strikes.
- Disclose all relevant information required by trade union representatives to do their jobs effectively.

EMPLOYMENT EQUITY ACT /EEA

Purpose of the EEA

- The EEA allows employees who do the same work to be paid equally.
- Eliminates discrimination on grounds of gender/race/disability in the workplace.
- Promotes equal opportunity and fair treatment in the workplace.
- Promotes diversity in the workplace by ensuring that people of diverse backgrounds are appointed.
- Protects employees from victimisation if they exercise the rights given to them by the EEA.
- Ensures equal representation in the workplace through the implementation of affirmative action.

The rights of employers and employees according to LRA

Rights of employers

- Form employer organisations.
- Form a bargaining council for collective bargaining purposes.
- Employers have the right to lockout employees who engage in unprotected/illegal strike/labour action.
- Dismiss employees who are engaged in an unprotected strike/misconduct such as intimidation/violence during a strike action.
- Right not to pay an employee who has taken part in a protected strike for services/work they did not do during the strike.

Rights of employees

- Employees may join a trade union of their choice.
- Embark on legal strikes as a remedy for grievances.
- Refer unresolved workplace disputes to the CCMA.
- Refer unresolved CCMA disputes to the Labour Court on appeal.
- Request trade union representatives to assist/represent employees in the grievance/disciplinary hearing.
- Trade union representatives may take reasonable time off work with pay, to attend to trade union duties.
- Establish a workplace forum where a business has 100 or more employees to resolve work related issues

Impact of the EEA on business

Positives/Advantages

- Encourages consultation between employer and employees.
- Promotes equal opportunity and fair treatment in the workplace.
- Impacts positively on BEE ratings for businesses.
- Appointment process is clearly defined, so all parties are well informed.
- Motivates employees because the workforce is more diverse/representative/inclusive
- Motivates employees because everyone has the same employment opportunities.
- Promotes the implementation of affirmative action measures to redress the imbalances in employment.
- Provides employees with legal recourse if they believe they have been unfairly discriminated against.
- Provides all employees with an equal opportunity to be selected/appointed/ promoted in a position.
- Prevents unfair discrimination as it ensures that the workforce represents the demographics of the country.
- Creates a framework of acceptable employment practices/affirmative action measures.
- Encourages diversity in business by employing people from various racial backgrounds.
- Businesses are in a better position to negotiate contracts with the government/Impacts positively of BEE ratings of businesses
- Certified psychometric tests may be used to assess applicants/employees to ensure that suitable.

AND/OR

Negatives/Disadvantages

- Expensive to train/employ someone who knows little about the Act.
- Fines/Penalties for non-compliant businesses may be expensive for the business.
- Diversity in the workplace may lead to conflict/unhappiness.
- Often positions go unfilled because there are no suitable EE candidates.
- Skilled people from designated groups may demand higher salaries which increase salary expenses.
- Job hopping of skilled/trained EE appointees may increase staff turnover.
- Increased administration burden, as businesses must compile/submit employment equity reports every two years.
- Employers have to appoint one or more senior managers to ensure the implementation of the plan, which increases salary expenditure
- Businesses must submit a compliance certificate before they can conduct business with state businesses
- Businesses are sometimes pressurised to appoint an unsuitable EE person to meet EE requirements.
- Other groups may not respect the knowledge/skills/experience of an EEA appointment and it may lead to conflict.

Penalties for non-compliance with the EEA

- Businesses may face heavy fines for non-compliance.
- They can be ordered to pay compensation and damages to the employee.
- Labour inspectors may investigate/inspect/ask questions about complaints.
- Labour inspectors may conduct onsite visits, to interview employees which can create a bad image for the business.
- A compliance order may be issued to businesses that do not comply with the EEA.
- Businesses may be taken for a ruling in the Labour Court if compliance orders are not adhered to/no efforts made to reach targets.
- The Department of Labour may block non-compliant companies from doing business with the government.
- Businesses may be ordered to pay compensation and damages to the employees.
- The Labour inspector could order businesses to stop operating should the business be found guilty of illegal practices.

Actions regarded as non-compliance by the EEA

- Not employing a young woman because she would want to have children in future.
- Refusing to employ a person because he/she has strong religious beliefs/has a disability
- Doing HIV testing unless justified by the Labour Court.
- Denying people access to the workforce based on gender/race/culture/etc. and treating them unfairly.

Ways in which businesses can comply with the EEA

- Businesses must guard against discriminatory appointments.
- Promote equal opportunities and fair treatment
- Implement an employment equity plan.

- Implement affirmative action measures to redress disadvantages experienced by designated groups.
- Reasonable accommodation of people from designated groups
- Ensure that there is equal representation of all racial groups in every level of employment.
- Compile employment equity plans that indicate how they will implement affirmative action.
- Ensure that affirmative action measures promote diversity in the workplace.
- Prepare an employment equity plan in consultation with employees.
- Ensure that diversity/inclusivity in the workplace is achieved.
- Submit the employment equity plan to the Department of Labour
- Retain designated groups, including skills development of such groups.
- Assess the racial composition of all employees, including senior management.
- Clearly define the appointment process, so that all parties are well informed.
- Assign one or more senior managers to ensure implementation and monitoring of the employment equity plan.
- Eliminate barriers that have an adverse impact on designated groups.
- Retain/Develop/Train designated groups, including skills development.
- Regularly report to the Department of Labour on progress in implementing the plan.
- Display a summary of the Act where employees can clearly see/have access to the document.
- Restructure/Analyse current employment policies/practices/procedures to accommodate designated groups.
- Employees must be paid equal for work of equal value.
- Conduct medical/psychological tests fairly to employees/when deemed necessary/ Use certified psychometric tests to assess applicants/employees to ensure that suitable candidates are appointed

BASIC CONDITIONS OF EMPLOYMENT ACT/BCEA

Purpose of the BCEA

- Provides clear terms and conditions of employment for employers and employees.
- Set minimum requirements/standards for the employment contract.
- Advance economic development and social justice
- Regulates the right to fair labour practices as set out in the Constitution.
- Regulates the variations of basic conditions of employment.
- Adheres to the rules and regulations set out by the International Labour Organisation

Impact of the BCEA

Positives/Advantages

- Creates a framework of acceptable employment practices e.g., work hours, leave, etc.
- Promotes fair treatment of employees in business.
- Encourages consultation between employers and employees.
- Outlines minimum requirements that form the basis of employment contracts.
- Work hours are specified so that the employer cannot exploit employees.
- The rules and regulations are very specific, which clearly guides the employer on how to deal with employment issues.
- Employees are permitted to consult labour unions in cases where the BCEA conditions are violated. (Relationship with LRA)
- Employees may submit complaints to labour inspectors who can address it.

AND/OR

Negative/Disadvantages

- Developing/Drafting a formal/legal employment contract may be time-consuming/costly.
- Businesses may regard employment contracts negative and may not implement it, which result in non-compliance/penalties.
- No employer may force an employee to work more than 45 hours in a week. This may result in reduced productivity.
- Hiring cheap labour is no longer possible, so businesses cannot exploit workers.
- BCEA forces businesses to comply with many legal requirements, which may increase labour costs.
- Businesses not complying with the Act, may be charged with high penalties, which may affect their cash flow negatively.
- Businesses may consider the provisions of the BCEA as unimportant and an unnecessary administrative burden that increase operating costs.

Actions regarded as non-compliance by the BCEA

- Forbidding workers to discuss wages/salaries with co-workers.
- Preventing workers from having access to employment contracts.
- Refusing to accept a valid medical certificate of a sick worker.
- Refusing to grant some workers family responsibility leave to support a sick family member.

Penalties businesses may face for not complying with the BCEA

- Labour inspectors may serve a compliance order by writing to the Department of Labour.
- Labour inspectors may investigate/inspect/ask questions about complaints and remove records as evidence.
- Businesses may be taken to the labour court for a ruling.
- Businesses that are found guilty of non-compliance may face heavy fines/ penalties.
- They can be ordered to pay compensation and damages to the employee.
- The Director General may agree/change/cancel the compliance order.

Ways in which businesses can comply with the BCEA

- Workers should only work 9 hours per day in a 5 day work week./8 hours per day in a 6 day work week./Overtime should not exceed 10 hours per week.
- Workers can take up to six weeks paid sick leave during a 36-month cycle.
- Workers must receive double if they work during public holidays/Sunday.
- They must have a break of 60 minutes after five hours of work
- Businesses should not employ children under the age of 16.

Provisions of the BCEA

Regulation of working time: Ordinary hours of work/ Overtime/M meal Intervals/Sunday work/Public holidays

- Workers may not work for more than 45 hours in any week.
- Workers may work nine hours a day if they work five days or less per week/eight hours a day if they work more than five days a week.
- Night work performed after 18:00 and before 6:00 the next day by agreement, must be compensated by allowance/reduction of work hours.

- Ordinary work hours may be extended by agreement by a maximum of 15 minutes per day/maximum of sixty minutes per week to complete duties when serving the public.
- Ordinary work hours may be reduced to a maximum of 40 hours per week/8 hours per day.

Overtime

- Workers must agree to work overtime.
- Workers cannot work more than three hours overtime per day/10 hours per week.
- Overtime must be compensated as follows:
 - One and half times the normal rate of pay for overtime worked on week days and Saturdays.
 - Double the normal rate of pay for overtime worked on Sundays and public holidays.
- Overtime must be paid either at specified rate for overtime or an employee may agree to receive paid time off.
- Minister of Labour may prescribe the maximum permitted working hours, including overtime, for health and safety reasons for a certain category of work.

Leave: This includes all types of leave

Types of leave

Annual leave

- Workers are entitled to 21 consecutive days annual leave per year or one day for every 17 days worked, one hour for every 17 hours worked.
- An employer can only pay a worker in lieu/instead of granting leave if that worker leaves the job/ terminates the employment contract.
- Annual leave must be granted within six (6) months after the leave cycle ended.

Sick leave

- Employees are entitled to thirty (30) days/six (6) weeks paid sick leave in a three (3) year/thirty-six (36) months cycle.
- One (1) day paid sick leave for every twenty-six (26) days worked during the first six (6) months of employment.
- A medical certificate may be required before paying an employee who is absent for more than two (2) consecutive days/who is frequently absent.
- Thereafter, they may take all thirty (30) days sick leave, provided they meet the legal requirements.

Maternity leave/Adoptive leave

- A pregnant employee is entitled to four consecutive months' leave.
- A pregnant employee may not be allowed to perform work that is hazardous to her unborn child.
- The starting date is usually any time from four weeks before the expected date of birth or on advice of a doctor/midwife.

Family responsibility/Paternity leave

- Three to five (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.
- An employer may require reasonable proof, before granting this leave.
- Male employees are entitled to a maximum of three/five day's paternity leave when his child is born.

Meal breaks and rest periods

- Workers must have a meal break of 60 minute after five continuous hours of work.
- This can be reduced to 30 minutes by written agreement, when working less than 6 hours per day.
- A worker must have a daily rest period of 12 continuous hours/a weekly rest period of 36 continuous hours which must include Sundays.

Public holidays

- Workers must be paid for any public holidays that fall on a working day.
- Work on public holidays is by agreement and paid at double the rate

Parental leave

- An employee who is a parent is entitled to ten (10) consecutive day's parental leave after the birth of his/her child irrespective of gender.
- Parental leave is unpaid, but the employee/parent may claim from the Unemployment Insurance Fund/UIF.
- The employer must be informed/notified at least one month before the expected due date of birth.
- Adoption leave is applicable to the adoption of a child below the age of two (2) years.
- One parent of the adopted child is entitled to ten (10) weeks adoption leave to take of the child, while the other parent is entitled to ten (10) consecutive day's normal parental leave. \
- Commissioning parental leave is only applicable to surrogate motherhood where one parent is entitled to ten (10) weeks commissioning parental leave to take of the child, while the other parent is entitled to ten (10) consecutive day's normal parental leave.

Particulars of employment and remuneration

- Employees must be paid on regular basis.
- Remuneration must be in line with number of working hours including overtime.

Termination of employment

- A contract of employment may only be terminated following one week's notice, if the worker has been employed for six months or less.
- A minimum of four weeks' notice must be given, if the worker has been employed for a year or longer.
- The employee must be given notice in writing.
- An employee who is retrenched/ dismissed for restructuring reasons is entitled to one week's severance pay for every year of service.

Prohibition of employment of children and forced labour

- It is illegal to employ a child younger than 15 years of age.
- It is also illegal to force someone to work.
- Businesses may employ children over the age of 15 years, if employment is not harmful to their health/well-being/education/moral and social development/ minors under 18 years of age may not do dangerous work/work meant for an adult.

COMPENSATION FOR OCCUPATIONAL INJURIES & DISEASES ACT/COIDA

Purpose of COIDA

- Provides a comprehensive protection to employees who injured in the course of performing their duties.
- COIDA applies to all casual and full-time workers who become ill/injured/ disabled/killed due to a workplace accident/disease.

- It excludes workers who are guilty of wilful misconduct/workers working outside South Africa for at least twelve months/members of the SA Defence Force/Police services.
- It provides for the establishment of a Compensation Board whose function is to advise the Minister of Labour on the application/provisions of COIDA.

Impact of the COIDA on businesses

Positives/Advantages

- Promotes safety in the workplace.
- Employees do not contribute towards this fund.
- Claiming processes are relatively simple.
- Eliminates time and costs spent on lengthy civil court proceedings.
- Any compensation to an employee/the family is exempt from income tax.
- Employers are protected from financial burden should an accident occur in the workplace provided that the employer was not negligent.
- Makes businesses more socially responsible as they cannot just employ workers at random in dangerous working conditions.
- Workers are treated with dignity and respect as businesses view them as valuable assets and not just as workers.
- Covers all employees at the workplace if both parties meet all the necessary safety provisions in the Act.
- Creates a framework for acceptable employment practices and safety regulations.
- Supply administrative guidelines/mechanisms for dealing with/processing claims.
- Employees are compensated financially for any injury/disability resulting from performing their duties at their workplace.
- In the event of the death of an employee as a result of a work-related accident/ disease, his/her dependent(s) will receive financial support.
- Employees receive medical assistance provided there is no other medical assistance option./Cannot claim medical assistance from the fund and medical aid.
- Medical expenses/Other types of compensation are paid to employees and/or their families depending on the type/severity of the injuries.
- Employers have to pay a monthly amount to the Compensation Fund depending on the number of employees/the level of risk they are exposed to.

AND/OR

Negative/Disadvantages

- Claiming processes can be time consuming.
- Domestic/Military workers are not covered.
- Workers who are temporarily/permanently employed in foreign countries are not covered.
- Employers may be forced to pay heavy penalties if they are found guilty of negligence/not enforcing safety measures.
- Implementation processes/procedures required by the Act may be expensive.
- Procedures required by this Act may be costly as paperwork places an extra administrative burden on businesses.
- Employers have to register all their workers/make annual contributions to COIDA, which may result in cash flow problems.

Actions regarded as non-compliance by the COIDA

- Employers who bribe/prevent employees from reporting the accident/injury.
- Providing false information about previous, serious accidents/occupational diseases.
- Employers who do not contribute to the Compensation fund.
- Employers who do not allow claims for injuries, discriminates against injured employees.
- Employers that take too long to process claims/delay the claiming process.
- Compensation that is set off against any debt of the person entitled to the compensation.

Penalties for non-compliance with COIDA

- Businesses can be fined for refusing to lodge the claim/contravening the Act.
- Businesses can be forced to make large payments if it did not take the necessary precautions according to the Act.
- They may be forced to pay any recovery costs required by the Compensation Fund.
- Employees may take businesses to court for not registering them with the Commissioner of the Compensation Fund.
- If businesses are found guilty of any misconduct, they will have to pay large penalties/face imprisonment.

Ways in which businesses can comply with the COIDA

- Businesses should provide a healthy/safe working environment
- Ensure that the premises/equipment/machinery is in good working condition.
- Register with the Compensation Commissioner and provide the particulars of the business.
- Report all incidents causing death/injury/illness of employees.
- Levies must be paid to the Compensation Fund.
- Keep records of employees' income and details of work for four years.
- Submit returns of earnings by no later than 1 March annually.
- Allow regular assessment of the workplace by inspectors in order to determine the level of risk their employees are exposed to.
- Employers may not make deductions for COIDA from employees' remuneration packages.
- Businesses must ensure that claims are lodged within twelve months of the date of the accident.

BROAD BASED BLACK ECONOMIC EMPLOYMENT ACT/BBBEE

Purpose of BBBEE

- Enable wealth to be spread more broadly across all population groups.
- Outline areas that would give the government a platform for bringing equitable spread of wealth.
- Allows for the development of Codes of Good Practice.
- It aims at targeting inequality in the South African economy.

NOTE: You must first know the implications of BBBEE pillars so that you can understand the impact BBBEE on businesses.

BBBEE PILLARS

- Management control
- Skills development
- Ownership
- Enterprise and supplier development (ESD)
- Socio-economic development/social responsibility

Implications of the revised BBBEE pillars on businesses

Management control

Implication of management control on businesses

- Business must ensure that transformation is implemented at all levels.
- Appoint black people in senior executive positions/to management.
- Involve black people in the decision-making processes.
- Ensure that black females are represented in management.
- Businesses score points in both management and ownership when selling more than 25 % of their shares to black investors so that some of them can become directors.
- Due to a shortage of skilled black managers/directors, some businesses find it difficult to make appointments.
- Businesses are directly penalised for not implementing this pillar.

NOTE: The word “implication” in this context means “what businesses should do in order to comply with this Act and what are the things that are preventing them from implementing this Act.

NOTE that the last sentences of EACH pillar speak to things that prevent businesses from implementing the pillar.

Ways in which businesses could apply management control in the workplace

- Business must ensure that transformation is implemented at all levels.
- Appoint black people in senior executive positions/to management.
- Involve black people in the decision-making processes.
- Ensure that black females are represented in management.
- Businesses score points in both management and ownership when selling more than 25 % of their shares to black investors so that some of them can become directors.

Skills development

Implication of skills development on businesses

- Business must engage black employees in skills development initiatives.
- Provide learnerships and learning programmes to black employees.
- Business must contribute 1% of their payroll to fund the skills development programmes.
- Business benefits from the increased pool of skilled/trained workers.
- Business must go the extra mile to train staff where learnerships are not offered.
- Productivity is compromised as mentors/coaches have to find the time to participate in learnerships/training.

Ways in which businesses could apply skills development in the workplace

- Business must engage black employees in skills development initiatives.
- Provide learnerships and learning programmes to black employees.
- Business must contribute 1% of their payroll to fund the skills development programmes.
- Business benefits from the increased pool of skilled/trained workers

Ownership

Implication of ownership on businesses

- Business should include black people in shareholding/partnerships/franchises.
- Encourage small black investors to invest in big companies and share ownership.
- Exempted Micro Enterprises (EMEs) with an ownership of 50% or more of black people are promoted to level 3 of the BEE scorecard.
- More opportunities are created for black people to become owners/ entrepreneurs.
- Large businesses should form joint ventures with small black owned businesses and share business risks.
- Businesses sometimes find it difficult to locate suitable black business partners/ shareholders.
- Many black people cannot afford shares in companies/contributions to partnerships.

Ways in which businesses could apply ownership in the workplace

- Business should include black people in shareholding/partnerships/franchises.
- Encourage small black investors to invest in big companies and share ownership.
- Exempted Micro Enterprises (EMEs) with an ownership of 50% or more of black people are promoted to level 3 of the BEE scorecard.
- More opportunities are created for black people to become owners/ entrepreneurs.
- Large businesses should form joint ventures with small black owned businesses and share business risks

Enterprise and supplier development (ESD)

Implication of Enterprise and supplier development (ESD) on businesses

- Business must create jobs as ESD promotes local manufacturing.
- Identify black owned suppliers that are able to supply goods and services.
- Outsource services to suppliers that are BBEE compliant.
- Businesses are encouraged to invest/support black owned SMMEs.
- Develop the business skills of small/black owned suppliers, e.g. sales techniques, legal advice, etc.
- Support the cash flow of small suppliers by offering them preferential terms of payment.
- Businesses should invest in/support black owned SMMEs.

- Invest in/Support black owned SMMEs by contributing loans/donations/consulting services/advice/entrepreneurial programmes.
- SMMEs will be encouraged to use their own business initiatives to make them sustainable.
- Develop and implement a supplier development plan/supply chain.
- Small/Large businesses may not be able to afford enterprise development investment/support.
- Black owned SMMEs may become too reliant on support from other businesses/unable to take their own initiatives.
- BBBEE suppliers may be without good workmanship.
- Smaller businesses that are not BBBEE compliant lose business.
- Businesses are forced to choose from a smaller pool of suppliers.

Ways in which businesses could apply ESD in the workplace

- Business must create jobs as ESD promotes local manufacturing.
- Identify black owned suppliers that are able to supply goods and services.
- Outsource services to suppliers that are BBBEE compliant.
- Businesses are encouraged to invest/support black owned SMMEs.
- Develop the business skills of small/black owned suppliers, e.g. sales techniques, legal advice, etc.
- Support the cash flow of small suppliers by offering them preferential terms of payment.
- Businesses should invest in/support black owned SMMEs
- SMMEs will be encouraged to use their own business initiatives to make them sustainable.
- Develop and implement a supplier development plan/supply chain.
- Invest in/Support black owned SMMEs by contributing loans/donations/consulting services/advice/entrepreneurial programmes.

Social responsibility/Socio-economic development

Implications of social responsibility/socio-economic development on businesses

- Businesses should focus on critical areas which can affect growth and development in the country e.g. environmental awareness/education/ housing, poverty/unemployment etc.
- They should distribute scarce CSI resources to selected beneficiaries in the community.

Impact of the BBBEE on businesses

Positives/Advantages

- Encourages businesses to address the demands for redress/equity directly.
- Provides a variety of business codes to improve employment equity.
- Provides for human resources development through training and development.
- A good BEE rating improves the image of the business.
- Fronting is discouraged, as it may lead to the disqualification of a business's entire scorecard/BBBEE status.
- Promotes enterprise development, by developing entrepreneurial skills of designated people to start their own businesses
- Businesses that comply with BBBEE regarding the pillars will be rated high on the BEE scorecard/may get government tenders/may attract other BBBEE business partners/-suppliers.
- Businesses will have a good overview on how it is performing in comparison to other businesses in the rest of the country.

- By focusing on BBBEE, the business will show commitment towards the social/education/economic developments in the community/country.
- Once rated, the business will understand how to develop BBBEE strategies that will increase its BBBEE ratings on an annual basis.
- Share prices of BBBEE compliant businesses are likely to increase as they attract more business.
- Businesses that support Small, Micro, Medium Enterprises (SMMEs), may increase their own BBBEE ratings
- Complying with BBBEE requirements gives businesses experience/exposure to be able to provide better employment opportunities/staff development.

AND/OR

Negative/Disadvantages

- Businesses could experience large financial implications/penalties if they do not comply with BBBEE.
- Processes may lead to corruption/nepotism if not monitored properly.
- Processes and procedures may be costly for a business as there are many legal requirements for scoring enough points to be compliant.
- Investment/Ownership issues can cause unhappiness amongst existing share-holders/owners.
- Provides for preferential procurement, so certain businesses may be excluded from supplying goods/services.
- Businesses will have to spend money in areas covered by five BBBEE pillars to obtain a good BBBEE rating.
- Businesses that want to do business with the government must have their BEE status assessed annually.
- Businesses have to go through the process of having their BBBEE compliance measured/verified by an independent BEE verification agency.
- Many businesses have been disadvantaged due to BBBEE ratings as they may not be able to meet all the scoring.

Actions regarded as non-compliance by the BBBEE

- Failing to implement affirmative action to meet BBBEE responsibilities.
- Promoting unsuitable people into a management position at the expense of qualified PDP's.
- Refusing to award tenders to black suppliers who are BEE compliant.

Penalties for non-compliance with the BBBEE

- Businesses may face imprisonment for non-compliance and fronting practices.
- The penalty could be a fine of up to 10% of the company's annual turnover.
- Government will cancel any contract awarded that was based on false information regarding B-BBEE status.
- A business can be banned from participating in government contracts for a period of 10 years.
- Business licenses may not be renewed, and authorisations may not be issued
- Businesses that fail to achieve at least a minimum 40% of compliance with ownership, skills development and new enterprise and supplier development will be automatically downgraded the by one level.

Ways in which businesses can comply with the BBBEE

- Businesses must appoint black people in managerial positions
- Businesses must sell shares to black employees/people.
- Send black people for black for skill development training.
- Outsource their services to BEE compliant suppliers.
- Implement affirmative action when making appointments.
- Develop small business /SMME's through ESD.
- Improve the standard of living of the communities in which they operate.

NATIONAL CREDIT ACT

Purpose of the NCA

- Promote a fair but competitive credit market.
- Makes provision for the establishment of the National Credit Regulator/NCR
- Promotes the social and financial interest of consumers.
- Ensure that consumers know what is included in their credit contracts.
- Ensure registrations of credit bureau and debt counselling services.
- Prevent discrimination and ensure credit is available to all consumers.

Impact of the NCA on businesses

Positives/Advantages

- Lower bad debts resulting in better cash flow.
- Protects businesses against non-paying consumers.
- Authorised credit providers may attract more customers.
- Leads to more customers through credit sales as they are now protected from abuse.
- Prevents reckless lending and prevents businesses from bankruptcy.
- Increases cash sales as credit can only be granted to qualifying customer.
- The whole credit process is transparent e.g. both businesses and customers know their responsibilities.
- Businesses do thorough credit checks and receive up-to-date documentation from the consumer as proof that they can afford the repayment.
- Credit bureau information is made available to businesses so that they can check the credit worthiness of consumers before granting credit.

AND/OR

Negative/Disadvantages

- Businesses can no longer carry out credit marketing.
- Businesses struggle to get credit such as bank loans/overdrafts
- Businesses that do not comply with the NCA may face legal action.
- Debt collection procedures are more complex and expensive.
- Fewer customers buy on credit as it is more difficult to obtain credit.
- Increases the administration burden on credit providers/The paperwork and administrative process required by the act are costly and time consuming.
- Leads to loss of sales as many consumers may no longer qualify to buy on credit.
- The business needs to appoint additional staff to deal with the extra administration.
- Should the credit agreement be declared reckless the business can forfeit the outstanding debt and the goods.
- Businesses that are official credit providers, must submit a compliance report every year.

- A business must make sure that all attempts have been made to recover the debt before blacklisting the customer.
- Credit providers cannot collect from consumers who are under debt reviews.
- More working capital is needed as businesses cannot sell many goods on credit due to stricter credit application processes.

Actions regarded as non-compliance by the NCA

- Refusing credit to customers based on gender/race.
- Charging different interest rates to customers based on gender/race
- Blacklisting customers without making efforts to recover the debt

Penalties/consequences for non-compliance with the NCA

- The business may not demand payment, sue or attach the clients/consumers salaries/assets.
- The business may not charge any fee/interest/other charges under that specific credit agreement.
- The court may declare the granting of credit by the business reckless and may order consumers not to repay the credit/or part thereof to the business
- The National Credit Regulator may impose a fine/penalty on the business for non-compliance.
- The business will bear all costs of removing the negative information of clients/ consumers who were blacklisted as a result of reckless lending.

Ways in which businesses can comply with the NCA

- Offer applicants pre-agreement statements.
- Disclose all costs of loan/No hidden costs should be charged/added
- Obtain credit records/checks of clients before granting loans.
- Businesses should be registered with the National Credit Regulator.
- Submit an annual compliance report to the National Credit Regulator.
- Conduct affordability assessment to ensure the consumer has the ability to meet his/her obligation.
- Conduct credit check with a registered credit bureau and consult with National Credit Register.
- Businesses must have procedures in place to comply with the provision of the Financial Intelligence Centre Act (FICA).
- Credit providers must have procedures in place to comply with the provision of the Financial Intelligence Centre Act (FICA).
- Verify the identity of clients, report suspicious transactions/train staff on their obligations in terms of FICA.

Consumer rights in term of the NCA

Consumers have a right to:

- Apply for credit and to be free from discrimination.
- Receive Information in plain and understandable language.
- Receive documents as required by the Act.
- Receive pre-agreement documentation before concluding any credit transaction
- Obtain reasons for credit being refused.
- Fair and responsible marketing.
- Access and challenge credit records and information.
- Choose which goods they will buy and return such goods if they are not satisfied.

- Surrender/Return goods to the credit provider in order to settle the outstanding amount/debt.
- Apply for debt review/counselling if the consumers cannot afford to repay their debts.
- Receive protection of their personal information.
- Receive protection from being held accountable for the use of their credit facility after they reported the loss/theft.
- Refuse a credit limit increase.

CONSUMER PROTECTION ACT

Purpose of the Consumer Protection Act

- Promotes responsible consumer behaviour.
- Establishes national standards to protect consumers.
- Establishes a National Consumer Commission (NCC)
- Establishes national standards to protect consumers.
- Promotes and protects the economic interests of consumers by providing access to information.
- Promotes fair/accessible and sustainable places for people to sell their products.
- Promotes consistent laws relating to consumer transaction and agreement.
- Promotes the rights and full participation of historically disadvantaged individuals as consumers.
- Promotes consumer safety by protecting them from hazardous products/services.
- Provides guidelines for better consumer information and to prohibit unfair business practices.
- Ensures that consumers have access to information they need to make informed choices
- Ensures that consumers are not misled/deceived by suppliers of goods/services
- Empowers consumers to take legal action if their rights are not upheld.
- Strengthens a culture of consumer rights and responsibilities.
- Protects consumers against contracts that include unfair terms which limit the liability of suppliers.
- Protects consumers against dishonest businesses such as fly-by-night franchisors
- Allows for consumers and businesses to resolve disputes fairly/effectively.

Impact of the CPA on businesses

Positives/Advantages

- Businesses may be safeguarded from dishonest competitors.
- Businesses may be protected if they are regarded as consumers.
- Prevents larger businesses from undermining smaller ones.
- May gain consumer loyalty, if they comply with CPA.
- Enables businesses to resolve disputes fairly through the National Consumer Commission/Consumer Court/Industrial ombudsmen
- Businesses may build a good image if they ensure that they do not violate consumer rights.

AND/OR

Negatives/Disadvantages

- Confidential business information may become available to competitors.
- Penalties for non-compliance may be very high.
- Businesses may feel unnecessarily burdened by legal processes.
- They have to disclose more information about their products and processes/services
- Staff need to be trained /Legal experts need to be consulted, which can increase costs

- Many business documents need to be simplified /revamped at extra cost as consumers have a right to receive contracts in simple/understandable language.
- Administration costs increase as legal contracts need to be worded in plain language /pitched at the level of the consumer
- Businesses may need insurance against claims from consumers /provisions in the Act increase risks for unforeseen claims and lawsuits.
- Businesses have to replace/repair faulty items/refund money if the fault occurs within six months after purchase.
- Supply chain management in stock levels will have to change, as defective goods have to be replaced within six months at the request of the consumer.
- Information technology systems need to be improved as the retailer must keep more detailed records of interactions with consumers /be able to report to the National Consumer Commission.
- Consumers can take advantage of a business and return goods when it is not necessary to do so.
- Processes and procedures required by CPA can be expensive and time consuming.

Actions regarded as non-compliance by the CPA

- Denying customers proper information about the product/services.
- Treating customers differently based on gender/age/race.
- Charging unfair prices for the same goods and services.
- Varying the quality of goods when selling in different areas.
- Prioritising any consumer group over another when marketing/selling

Penalties for non-compliance with the NCA

- A contract may be rendered void or a fine or term of direct imprisonment may be imposed.
- Businesses may face fines or imprisonment for a period not exceeding 10 years.
- Government agencies may conduct audits, enact fines or even dissolve your business entirely.
- Businesses will be forced to compensate consumers in line with the extent to which their rights have been violated.

Ways in which businesses can comply with the CPA

- Disclose prices of all products on sale.
- Provide adequate training to staff on the CPA.
- All agreements must provide for a five-day cooling off period.
- Ensure that goods/services offered are standardised/of the same quality.
- Comply with the requirements regarding promotional competitions.
- Comply with requirements regarding the display of information on labels/ packaging.
- Display the name of the business on all business documents, e.g. invoices/contracts.
- Bundling of goods/services should benefit consumers, e.g. offering a cell phone and a tablet at a special price.
- Implement measures that will facilitate complaints, e.g. suggestion boxes.

Consumer rights of the Consumer Protection Act

Right to choose

Consumers have the right to:

- choose suppliers and/or goods.

- shop around for the best prices.
- return goods that are unsafe/defective for a full refund.
- reject goods that are not the same as the sample marketed.
- cancel/renew fixed term agreements.
- request written quotations and cost estimates.

Right to privacy and confidentiality

- Consumers have the right to stop/restrict unwanted direct marketing.
- They can object to unwanted promotional e-mails/telesales.
- They have the right to stop/lodge complaints about the sharing of their personal details.

Right to fair and honest dealings

- Suppliers may not use physical force or harass customers.
- Suppliers may not give misleading/false information.
- Businesses may not promote pyramid schemes and/or chain-letter schemes
- Businesses may not overbook/oversell goods/services and then not honour the agreement.

Right to information about products and agreements/Right to disclosure and information

- Contracts and agreements should be in plain language and easy to understand.
- Businesses should display prices which are fully inclusive disclosing all costs.
- Businesses should label products and trade descriptions correctly
- Consumers may request the unit and bulk price of the same product.
- If two prices for the same product are displayed, consumers should pay the lower price.
- All information related to the country of origin, expiry dates/ingredients of the products should be disclosed.

Right to fair/responsible marketing/promotion

- Businesses should not mislead consumers on pricing, benefits/uses of goods.
- Consumers may cancel purchases made through direct marketing within five working days/cooling off-period.
- All information related to the country of origin/expiry dates/ingredients of the products should be disclosed/clearly labelled.

Right to accountability from suppliers

- Consumers have the right to be protected in lay-by agreements.
- Businesses should honour credit vouchers and prepaid services.

Right to fair/just/reasonable terms and conditions

- Businesses should provide consumers with written notices of clauses that may limit consumer rights.
- Businesses may not market/sell goods at unfair prices.

Right to equality in the consumer market place

- Businesses should not limit access to goods and services.
- Businesses may not vary the quality of their goods to different consumers.
- Businesses should not discriminate when marketing their products and services in different areas/places.
- Businesses may not charge different prices for the same goods/services.
- Quality of goods may not vary when supplied to different consumers.

Right to return goods/have goods replaced/claim a refund

- Goods that are unsafe/ defective may be replaced by the supplier.
- Faulty items may be returned for a full refund.
- They may return faulty items if the fault occurs within six months after purchasing the item.

Right to complain

- Consumers may use various methods/channels to complain about poor quality goods/services.
- They can complain via customer care desks/consumer hotlines/ombudsman etc.

Right to fair value/good quality/safety

- Businesses should provide consumers with written notices of clauses that may limit consumer rights.
- Businesses may not market/sell goods at unfair prices.

Right to fair value/good quality/safety

- Consumers may demand quality services/goods.
- They may receive an implied/written warranty.
- Cancel /renew fixed term agreements
- To be informed about hazardous/dangerous products
- Reject goods that are not the same as the sample marketed
- Return faulty items if the fault occurs within six months after purchasing the item.

BUSINESS OPERATIONS

PAPER 1

TOPIC 2: HUMAN RESOURCES FUNCTION

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

RECRUITMENT

- Explain/Elaborate on the meaning of recruitment.
- Outline/Discuss/Explain the recruitment procedure.
- Explain the meaning of job analysis.
- Differentiate/Distinguish between job description and job specification as components of a job analysis.
- Identify 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 above stated methods of recruitment.
- Identify/Give examples of sources of internal/external recruitment from given scenarios/statements.

SELECTION

- Outline/Discuss/Explain the selection procedure.
- Explain the meaning of screening as part of the selection procedure.
- Discuss/Explain the purpose of an interview.
- Outline/Explain/Discuss the role of the interviewer before and during the interview.
- Outline/Explain/Discuss the role of the interviewee during the 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 the employment contract.
- Analyse an employment contract from given scenarios and make recommendations for improvement.
- Name/Outline/Explain/Discuss the reasons for the termination of an employment contract.

INDUCTION

- Define/Elaborate on the meaning of induction.
- Outline/Explain/Discuss the purpose of induction.
- State/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 benefit of induction from given scenarios

PLACEMENT

- Elaborate on the meaning of placement.
- Outline/Explain/Discuss the placement procedure.
- Explain/Discuss/the importance of training/skills development in HR.

SALARY DETERMINATION

- Explain/Differentiate/Distinguish between piece meal and time-related salary determination methods.
- Explain the link between salary determination and the Basic Conditions of Employment Act.

FRINGE BENEFITS/PERKS

- Name/State/Give examples of employee benefits, e.g.:
 - Pension
 - Medical aid
 - Provident fund
 - Allowances
- Discuss/Evaluate the impact (positives/advantages and/or negatives/disadvantages) of fringe benefits on businesses.

Compulsory benefits

- Explain UIF as a benefit required by law.

LEGISLATION

- Discuss the implications of the LRA/BCEA/EEA/SDA on the human resources function.

TERMS AND DEFINITIONS

TERM	DEFINITION
Job analysis	The term “job analysis” refers to the components of job description and job specification as it relates to employees within an organisation.
Job description	Describes the duties and responsibilities of a specific job.
Job specification	Describes the minimum acceptable personal qualities/skills/ qualifications needed for the job.
Recruitment	Recruitment is the process used by business to identify vacancies in the business and attract suitable candidates for it.
Internal recruitment	Refers to the use of internal sources to advertise vacancies within an organisation.
External recruitment	Refers to the use of external sources to advertise vacancies within an organisation.
Interview	Refers to a conversation between a job applicant and a representative of an employer which is conducted to assess whether the applicant should be hired for a vacancy.

Interviewer	Refers to the representative of an employer conducting the interview.
Interviewee	Refers to the job applicant who made himself available for the interview after being shortlisted.
Induction	Refers to the process of introducing new employees to the business and its related aspects.
Placement	Process whereby a new employee is placed in a vacant position.
Training/Skills development	Refers to the acquisition of new skills and knowledge by employees.
Retrenchment	Process whereby an organisation reduces the number of employees for operational reasons.
Employment contract	Oral or written agreement specifying terms and conditions under which a person consents to perform certain duties in return for an agreed upon wage or salary.
Piece-meal salary determination	Workers are paid according to the number of items/units produced.
Time-related salary determination	Workers are paid for the amount of time they spend at work/on a task.
Fringe benefits	Compensation beyond a regular wage or salary to an employee, which are exempt from taxation as long as certain conditions are met.
Compulsory benefits	Refers to benefits that businesses are legally required to offer its employees.
UIF	The fund offers short-term financial assistance to workers when they become unemployed or are unable to work because of illness, maternity or adoption leave.
BCEA	This Act regulates labour practices and sets out the rights and duties of employees and employer.
LRA	Ensures social justice by establishing the rights and duties of employers and employees in the workplace.
EEA	Requires employers to engage in proactive employment practices to increase the representation of designated groups in the workplace.
SDA	This act regulates the improvement of the skills of workers by promoting education and training in the workplace.

HUMAN RESOURCES ACTIVITIES

RECRUITMENT

Meaning of recruitment

- Recruitment is the process used by businesses to identify vacancies in the business and attract suitable candidates for it.
- It aims at finding candidates who have the necessary knowledge/ experience/ qualification to fill the vacancy.
- Businesses may choose to use an internal or external method of recruitment depending on the nature/requirements of the vacancy.
- It is an on-going process as employees leave their jobs for other jobs/get promoted /retire/as new technological skills are required.

Meaning of Job Analysis

- A job analysis is 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.
- A job analysis consists of job description and job specification.
- The employer must be clear about the nature of the work to be performed so that an appropriate job description and job specification can be prepared.

Recruitment procedure

- The human resource manager should evaluate the job/prepare a job analysis, that includes the job specification/job description/in order to identify recruitment needs.
- The human resource manager (HRM) should prepare the job description in order to identify recruitment needs.
- HRM should indicate the job specification/description/key performance areas to attract suitable candidates.
- Choose the method of recruitment, e.g. internal/external, to reach/target the suitable applicants/candidates.
- Vacancies can be internally advertised via internal email/word of mouth/ posters/staff notices.
- If the external recruitment is chosen, the relevant recruitment sources should be selected, e.g. recruitment agencies/tertiary institutions/ newspapers, etc
- If internal recruitment is unsuccessful, external recruitment should be considered.
- If the external recruitment is done, the relevant recruitment source should be selected, e.g. recruitment agencies, tertiary institutions, newspapers,
- 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 appropriate media that will ensure that the best candidates apply.

NOTE: The procedure can be in any order

Differences between job description and job-specification

JOB DESCRIPTION	JOB SPECIFICATION
<ul style="list-style-type: none">• Describes duties/responsibilities of a specific job.	<ul style="list-style-type: none">• Describes the minimum acceptable personal qualities/ skills/ qualifications needed for the job.
<ul style="list-style-type: none">• Written description of the job and its requirements/summary of the nature /type of the job.	<ul style="list-style-type: none">• Written description of specific qualifications/ skills/ experience needed for the job.
<ul style="list-style-type: none">• Describes key performance areas/ tasks for a specific job, e.g. job title/working conditions/relationship of the job with other jobs in the business, etc.	<ul style="list-style-type: none">• Describes key requirements of the person who will fill the position, e.g. formal qualifications/willingness to travel/work unusual hours, etc.

TYPES/METHODS OF RECRUITMENT

INTERNAL RECRUITMENT AND EXTERNAL RECRUITMENT

INTERNAL RECRUITMENT

- Refers to the use of internal sources to advertise vacancies inside the business.

Sources of Internal recruitment

- Internal e-mails/Intranet/web sites to staff
- Word of mouth/Staff meetings
- Business newsletters/circulars to staff
- Internal/management referrals
- Office notice boards
- Internal bulletins
- Recommendation by current employees/staff
- Head hunting within the business/organisational database

IMPACT OF INTERNAL RECRUITMENT

Positives/Advantages

- Cheaper/Quicker to fill the post.
- Provides opportunities for career paths within the business.
- Reduces the chances of losing employees, as future career prospects are available
- Placement is easy, as management knows the employees' skills/personality/experience/strengths.
- The employee already has an understanding of how the business operates./ Induction/Training is not always necessary.
- Detailed, reliable information can be obtained from the supervisors/ Employee records.

AND/OR

Negative/Disadvantages

- It may close the door to new ideas from outsiders.
- Employees who are not promoted may feel demotivated
- The promotion of an employee could cause resentment among other employees.
- The number of applicants from which to choose is limited to existing staff only.
- It is possible to promote certain employees who do not really have the required skills for the new job.
- The business has to spend more money on training/developing existing employees on the new position.

EXTERNAL RECRUITMENT

- Refers to the use of external sources to advertise vacancies outside the business.

Sources of external recruitment

- Recruitment agencies
- Bill boards
- Printed media, e.g. newspapers/flyers/magazines/posters
- Electronic media, e.g. radio/TV
- Social media/Social networks/Internet/Business websites
- Recruitment agencies
- Walk-ins
- Head hunting
- Professional associations
- Networking
- Educational/Training institutions

IMPACT OF EXTERNAL RECRUITMENT

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Information on CV's/referees may not be reliable.
- Many unsuitable applications can slow down the selection process.
- New candidates generally take longer to adjust to a new work environment.
- External sources can be expensive, e.g. recruitment agencies' fees/advertisements in newspapers/magazines.
- The selection process may not be effective and an incompetent candidate may be chosen.
- Recruitment process takes longer/is more expensive as background checks must be conducted.
- In-service training may be needed which decreases productivity during the time of training.

SELECTION

Selection procedure

Option 1

- Determine fair assessment criteria on which selection will be based.

- Applicants must submit the application forms/curriculum vitae and certified copies of personal documents/IDs/proof of qualifications, etc.
- Sort the received documents/CVs according to the assessment/selection criteria.
- Screen/Determine which applications meet the minimum job requirements and separate these from the rest.
- Preliminary interviews are conducted if many suitable applications were received.
- Reference checks should be made to verify the contents of CV's, e.g. contact previous employers to check work experience.
- Compile a shortlist of potential candidates identified.
- Shortlisted candidates may be subjected to various types of selection tests e.g. skills tests, etc.
- Invite shortlisted candidates for an interview.
- A written offer is made to the selected candidate.
- Inform unsuccessful applicants about the outcome of their application./Some adverts indicate the deadline for informing only successful candidates.

NOTE: The procedure can be in any order

Option 2

- Receive documentation, e.g. 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 sifting interviews to identify applicants who are not suitable for the job, although they meet all requirements.
- Assess/Test candidates who have applied for senior positions/to ensure the best candidate is chosen.
- Conduct interviews with shortlisted candidates.
- Offer employment in writing to the selected candidate(s).

Screening as part of the selection procedure

- Check application documents against the requirements of the job.
- Candidates who meet the minimum requirements are separated from others.
- Do background/credit/reference checks of applicants who qualify for the job.
- Prepare a shortlist of suitable candidates after screening.

Purpose of an interview

- To determine a candidate's suitability for the job.
- Obtains information about the strengths and weaknesses of each candidate.
- Evaluate the skills and personal characteristics of the applicant
- Helps the employer in choosing/making an informed decision about the most suitable candidate.
- Matches information provided by the applicant to the job requirements.
- Creates an opportunity where information about the business and applicant can be exchanged.

Role of the interviewer when PREPARING/BEFORE the interview

- Book and prepare the venue for the interview.
- Inform all shortlisted candidates about the date and place of the interview.
- Set the interview date and ensure that all interviews take place on the same date, if possible.
- Notify all panel members conducting the interview about the date and place of the interview.
- The interviewer should develop a core set of questions based on the skills/knowledge/ ability required.
- Check/read the application/verify the CV of every candidate for anything that may need to be explained.
- Plan the programme for the interview and determine the time that should be allocated to each candidate.
- Allocate the same amount of time to interview each candidate on the program.

Role of the interviewer and interviewee DURING the interview

Role of the INTERVIEWER during the interview	Role of the INTERVIEWEE during the interview
<ul style="list-style-type: none">• 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 interviewees' responses for future reference.• Do not misinform/mislead the interviewee.• Avoid discriminatory/controversial types of questions, e.g. asking a female candidate about family planning/having children.• Provide an opportunity for the interviewee to ask questions.• Close the interview by thanking the interviewee for attending the interview	<ul style="list-style-type: none">• 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 it.• Know your strengths and weaknesses and be prepared to discuss it• Thank the interviewer for the opportunity given to be part of the interviews.

Meaning of an Employment Contract

- Employment contract is an agreement between the employer and the employee and is legally binding.

Aspects that should be included in an employment contract

- Personal details of the employee.
- Details of the business/employer e.g. name/address, etc.
- Job title/Position
- Job description e.g. duties/ working conditions
- Job specification e.g. formal qualifications/willingness to travel.

- Date of employment/commencement of employment.
- Place where employee will spend most of his/her working time.
- Hours of work, e.g. normal time/overtime.
- Remuneration, e.g. weekly or monthly pay.
- Benefits/Fringe benefits/Perks/Allowances.
- Leave, e.g. sick/maternity/annual/adoption 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, e.g. appointment letter/code of conduct/ethics.
- Disciplinary policy, e.g. rules and disciplinary procedure for unacceptable behaviour

Legal requirements of the employment contract

- The employer and employee must both sign the contract.
- Employer and employee must agree to any changes to the contract.
- No party may unilaterally change aspects of the employment contract.
- The remuneration package/including benefits must be clearly indicated.
- It may not contain any requirements that are in conflict with the BCEA.
- The employment contract should include a code of conduct and code of ethics.
- Aspects of the employment contract can be renegotiated during the course of employment.
- The employer must explain the terms and conditions of the employment contract to the employee.
- Conditions of employment/duties/responsibilities of the employees must be stipulated clearly.
- All business policies, procedures and disciplinary codes/rules can form part of the employment contract.
- The employer must allow the employee to thoroughly read through the contract before it is signed.

Reasons for terminating an employment contract

Resignation

- Occurs when an employee chooses to leave the organisation voluntary for better job opportunities.
- **Example:** An employee seeking employment with another employer.

Retrenchment

- The employer may let go of some employees due to insolvency.
- **Example:** Employer may not be able to pay the employees

Dismissal

- Occurs when the employee is asked to leave the organisation due to bad conduct, breach of contract or illegal behaviour.
- **Example:** Dishonesty / Absence with-out leave.

Retirement

- Occurs when an employee reaches certain age and do not have to work any longer.
- **Example:** An employee reaching the age of 60/65 years and does not want to work any longer.

Redundancy

- Occurs when an employer no longer has work for employees and cannot fulfil the contract.
Example: When a sub-contract is not renewed, and workers are no longer required.

Other reasons

- Incapacity to work due to illness / injuries.
- By mutual agreement between the employer and the employee
- The duration of the employment contract had come to an end.

INDUCTION

Meaning of induction

- New employees are familiarised with their new physical work environment/ organisational culture/products and services.
- New employees are informed about the processes/procedures of the business.
- New employees should have a basic knowledge of what is expected in the job. /Understand his role and responsibilities in his new job.
- New employees must be well conversant with the business safety regulations and rules.

Purpose of induction

- Introduce new employees to management/colleagues to establish relationships with fellow colleagues at different levels.
- Give new employees a tour/information about the layout of the building/office
- Make new employees feel welcome by introducing them to their physical work space.
- Improve skills through in-service training
- Familiarise new employees with the organisational structure/their supervisors
- Allow new employees the opportunity to ask questions that will put them at ease/reduce insecurity/anxiety/fear.
- Create opportunities for new employees to experience/explore different departments.
- Explain safety regulations and rules, so that new employees will understand their role/responsibilities in this regard.
- Ensure that employees understand their roles/responsibilities so that they will be more efficient/productive.
- Communicate information about the products/services offered by the business
- Communicate business policies regarding ethical/professional conduct/ procedures/employment contract/conditions of employment, etc.

NOTE: Businesses use the purpose of induction to draw up the induction programme.

Aspects to be included in an induction programme

- Introduction to key people and immediate colleagues.
- Safety regulations and rules.
- Overview of the business.
- Tour of the premises.

- Discussion of the employment contract and conditions of service.
- Discussion of employee benefits
- Information about the business products/services.
- Meeting with senior management who will explain the company's vision/value descriptions/daily tasks.
- Conditions of employment, e.g. working hours/leave application process/disciplinary procedures, etc.
- Administration details on systems/processes/logistics.
- Discussion of personnel policies, e.g. making private phone calls/using the Internet, etc.
- Corporate social responsibility programmes.

Benefits of induction

- Increases quality of performance/productivity
- Allows new employees to settle in quickly and work effectively.
- Ensures that new employees understands rules and restrictions in the business.
- New employees may establish relationships with fellow employees at different levels.
- Employees will be familiar with organisational structures, e.g., who are their supervisors/low level manager.
- Make new employees feel at ease in the workplace, which reduces anxiety/ insecurity/fear.
- New employees will understand their role/responsibilities concerning safety regulations and rules
- Minimises/Decreases the need for on-going training and development.
- The results obtained during the induction process provide a base for focused training.
- Opportunities are created for new employees to experience/explore different departments
- New employees will know the layout of the building/factory/offices/where everything is, which saves production time.
- Learn more about the business so that new employees understand their roles/ responsibilities in order to be more efficient.
- Company policies are communicated, regarding conduct and procedures/safety and security/employment contract/conditions of employment/working hours/leave.
- Realistic expectations for new employees as well as the business are created.
- New employees may feel part of the team resulting in positive morale and motivation.
- Employees may have a better understanding of business policies regarding ethical/professional conduct/procedures/CSR, etc.
- Reduces the staff turnover as new employees have been inducted properly

NOTE: Businesses must benefit from inducting new employees. Do not confuse the purpose of induction with the benefits.

PLACEMENT

Meaning of placement

- Selected candidates are placed 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 is matched with the requirements of the job.

Placement procedure

- Employer should outline specific responsibilities/expectations of the employee new position.
- The employer should determine the relationship/similarities between the expectations of the position and the competencies of the employee.
- Determine the employee's strengths/weaknesses/skills/ interests by subjecting him to various psychometric tests.

The importance of training/skills development in HRM

- The employee who receives the necessary training is more able to perform in their job.
- The investment in training that a company makes shows employees that they are valued.
- An effective training program allows employees to strengthen their skills.
- Productivity usually increases when the human resources function implements training courses.
- Ongoing training and up skilling of the workforce, encourages creativity.

SALARY DETERMINATION METHODS

DISTINCTION BETWEEN PIECEMEAL AND TIME-RELATED SALARY DETERMINATION

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

LINK BETWEEN SALARY DETERMINATION AND THE BCEA

- BCEA outlines legalities, such as the employment contract, which may affect salary determination.
- Payment of salaries should be based on whether the employee is permanent or employed on a fixed contract
- The BCEA sets out conditions that ensure fair labour and human resources practices.
- According to the BCEA, businesses may use different remuneration methods to pay their employees.
- Businesses are supposed to deduct income tax (PAYE) from the employees' taxable salaries.

FRINGE BENEFITS

Examples of fringe benefits in the workplace

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

BENEFITS REQUIRED BY THE LAW

Unemployment Insurance Fund (UIF)

- The employer and the worker each contribute 1%.
- Employers must pay unemployment insurance contributions of 2% of the value of each worker's salary per month
- The fund also assists the dependants of a contributing worker who has died.
- The fund offers short-term financial assistance to workers when they become unemployed or are unable to work due to illness, maternity or adoption leave.
- Contributions are paid to the Unemployment Insurance Fund (UIF) or the South African Revenue Services (SARS).

IMPACT OF FRINGE BENEFITS ON BUSINESSES

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Businesses who cannot offer fringe benefits fail to attract skilled workers.
- It can create conflict/lead to corruption if allocated unfairly.
- Fringe benefits are additional costs that may result in cash flow problems.
- Errors/Mistakes in benefit plans may lead to costly lawsuits/regulatory fines.
- Decreases business profits, as incentive/package/remuneration costs are higher.
- Businesses who offer employees different benefit plans may create resentment to those who receive less benefit resulting in lower productivity.
- Administrative costs increase as benefits need to be correctly recorded for tax purposes.
- Workers only stay with the business for fringe benefits and may not be committed/loyal to the tasks/business.

- Businesses have to pay advisors/attorneys to help them create benefit plans that comply with law

IMPLICATIONS OF ACTS ON THE HUMAN RESOURCES FUNCTION

Implications of the Labour Relations Act on the Human Resources Function

- Promotes resolution of labour disputes.
- Protects the rights of employees/employers as outlined in the Constitution.
- Advances economic development/social justice/labour peace.
- Provides for unresolved disputes to be referred to Labour Courts/Labour Appeal Courts.
- Promotes orderly negotiations and employee participation in decision making in the workplace.
- Workers cannot be easily dismissed as bargaining council/Commission for Conciliation, Mediation and Arbitration (CCMA) processes need to be followed.
- Provides a framework for bilateral meetings where employees, trade unions and employers discuss matters relating to employment.
- The human resource manager should allow workers to form workplace forums/trade unions to promote the interests of all employees.
- Clarify the transfer of contracts of employment/If a business is transferred to another owner then the employee contracts are also transferred.

Implications of the Employment Equity Act on the Human Resources function

- Equal pay for work of equal value.
- Ensure that affirmative action promotes diversity in the workplace.
- The human resource manager must treat employees fairly and promote/provide equal opportunities in the workplace.
- Retrain/Develop/Train designated groups through skills development programmes.
- Define the appointment process clearly to ensure all parties are well informed.
- Compile employment equity plans that indicate how they will implement affirmative action.
- Assign a manager to ensure that the employment equity plan will be implemented/regularly monitored.
- Display a summary of the Act where employees can clearly see it/have access to it.
- Report to the Department of Labour on the progress in the implementation of the equity plan.
- Conduct medical/psychological tests fairly to employees/when deemed necessary.
- Ensure that the workplace represents the demographics of the country at all levels.
- Restructure/Analyse current employment policies/practices/procedures to accommodate designated groups.

Implication of the Skills Development Act (SDA) on the Human Resources function

- Contribute 1% of their salary bill to the Skills Development Levy/SDL.
- Ensure training in the workplace is formalised /structured
- Appoint a full/part time consultant as a Skills Development Facilitator.

- Assist managers in identifying skills/training needs to help them to introduce learnerships.
- The human resources manager should interpret the aims and requirements of the SDA and adapt workplace skills training programmes accordingly.
- Identify the training needs of the employees and provide them with training opportunities so that they will perform their tasks efficiently.
- Use the National Qualification Framework/NQF to assess the skills levels of employees.
- Interpret/Implement the aims/requirements of the framework for the National Skills Development Strategy.

Implications of the Basic Conditions of Employment Act (BCEA) on the Human Resources function

- Workers must receive double if they work during public holidays/Sunday.
- They must have a break of 60 minutes after five hours of work.
- Businesses should not employ children under the age of 16.
- Workers can take up to six weeks paid sick leave during a 36-month cycle
- Workers should only work 9 hours per day in a 5 day work week./8 hours per day in a 6 day work week./Overtime should not exceed 10 hours per week.

BUSINESS ROLES

PAPER 2

TOPIC 3: ETHICS AND PROFESSIONALISM

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must able to:

- Define/Elaborate on the meaning of ethical behaviour.
- Give practical examples of ethical and unethical behaviour, e.g., using fair vs. unfair advertising techniques, etc.
- Define/Elaborate on the meaning of professional behaviour.
- Give practical examples of professional and unprofessional behaviour, e.g., good use of work time and abuse of work time, etc.
- 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, e.g., payment of fair wages, providing quality goods and services, not starting a business venture at someone else's expense, etc.
- 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-mentioned types of unethical business practices pose challenges to businesses.
- Recommend/Suggest ways in which businesses could deal with the above-mentioned types of unethical businesses 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-mentioned types of unprofessional business practices pose challenges to businesses.
- Recommend/Suggest ways in which businesses could deal with the above-mentioned types of unprofessional business practices.

TERMS AND DEFINITIONS

TERM	DEFINITION
Business ethics	Ideas about what is morally correct or not applied in a business situation.
Ethical behaviour	Acting in ways consistent with what society and individuals think are good values.
Business practice	A procedure/rule employed or followed by a business in the pursuit of its objectives.
Professionalism	Describes the internationally accepted standards/expectations that society has of people's conduct and levels of competence in the workplace.
Tax evasion	When a business does not declare all their income to SARS with the aim of paying less tax.
Corporate governance	The exercise of ethical and effective leadership by the board of governors of a business towards achieving good performance/ effective control/sustainability and profitability.
Accountability	Holding directors and officials responsible to stakeholders for their decisions and action.
Transparency	Directors and managers are expected to operate in a manner that is easy for stakeholders to understand what actions are performed.
Responsibility	The legal and moral obligation of the business in relation to the economic, social and natural environment within which it operates.

Meaning of ethical behaviour

- Refers to acting in ways consistent with what society and individuals think are good values.
- Ethical behaviour is expected from every employee in the business.
- It means that the highest legal and moral standards are upheld when dealing with stakeholders.

Meaning of ethics

- Set of standards of expected behaviour between the employer/ employee/business partners.
- Set of values that are morally acceptable when conducting business.
- Business practices that are acceptable to society/group/ community.
- Inherently forms part of the employees' code of conduct.
- Focus is on developing a moral compass to use in decision making.
- Seeks to avoid harm while promoting benefit to others.

Examples of ethical and unethical business practice

Ethical business practices	Unethical business practices
<ul style="list-style-type: none">● Using fair advertising● Not using child labour● Treating all employees equally● Paying fair wages● Operating within the law● Business deals are conducted openly	<ul style="list-style-type: none">● Unfair advertising● Pricing of goods in rural areas● Taxation/Tax evasion● Paying employees unfair wages● Disobeying the law● Using bribery to gain business

<ul style="list-style-type: none"> ● Not engaging in illegal business practices ● Ensuring that the environment is not polluted. ● Adopting codes of good ethical practice. ● Establishing corporative social responsibility initiatives. ● Encouraging employees to adopt ethical behaviour. ● Clients and employee's information is not disclosed/used for the benefit of the business. ● Shareholders and employees' personal interest and business interest do not conflict with one another. 	<ul style="list-style-type: none"> ● Engaging in illegal business practices ● Polluting the environment ● Starting a venture at the expense of someone else
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Meaning of professional behaviour

- Professionalism is the term used to describe a certain standard of behaviour/ a specific level of competence and adherence to an ethical code of conduct.
- It is a behaviour suitable for a job/profession done for payment.
- It includes showing respect for others/take responsibility for your work/performing according to a job description etc.
- Refers to what is right/wrong/acceptable in a business.
- Applying a code of conduct of a profession or business.
- Includes guidelines on employees' appearance/communication/attitude/responsibility, etc.

Examples of professional and unprofessional business practice

Professional business practice	Unprofessional business practice
<ul style="list-style-type: none"> ● Good use of work time ● Treating all people the same. ● Using polite language to colleagues. ● Keeping clients details confidential/Not using clients' information for personal gain. 	<ul style="list-style-type: none"> ● Using rude/impolite language ● Abuse of work time. ● Giving some people special favours. ● Overstating the number of hours worked. ● Unauthorised use of business resources. ● Discussing clients' information/using clients' information for personal gain.

Differences between ethical behaviour and professional behaviour

Ethical behaviour	Professional behaviour
<ul style="list-style-type: none"> ● Refers to the principles of right and wrong/acceptable in society. 	<ul style="list-style-type: none"> ● Refers to what is right/wrong/acceptable in a business.
<ul style="list-style-type: none"> ● Conforms to a set of values that are morally acceptable. 	<ul style="list-style-type: none"> ● Professional behaviour is a certain standard of behaviour/specific level of competence that adheres to an ethical code of conduct.
<ul style="list-style-type: none"> ● Forms part of a code of conduct to guide employees to act ethically. 	<ul style="list-style-type: none"> ● Applying a code of conduct of a profession or business.

<ul style="list-style-type: none">● Focuses on developing a moral compass for decision making.	<ul style="list-style-type: none">● Focuses on upholding the reputation of a business/profession.
<ul style="list-style-type: none">● Involves following the principles of right and wrong in business activities/practices/dealings.	<ul style="list-style-type: none">● Includes guidelines on employees' appearance/communication/attitude/responsibility, etc.

Ways in which businesses can apply 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 impact 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.
- Businesses should be accountable/ responsible for their decisions/actions
- 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 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.

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

- Mission statement should include values of equality/respect.
- Treat workers with respect/dignity by recognising work well done.
- Treat all their employees equally, regardless of their race/colour/age/gender/disability etc.
- All workers should have access to equal opportunities/positions/resources.
- Plan properly and put preventative measures in place.

- Pay fair wages/salaries which is in line with the minimum requirements of the BCEA/Remunerate employees for working overtime/during public holidays.
- Ensure that employees work in a work environment that is conducive to safety/Fairness/free from embarrassment.
- Refrain from starting a venture using other businesses' ideas that are protected by law.
- Engage in environmental awareness programmes/Refrain from polluting the environment, e.g. by legally disposing of toxic waste.
- Employers and employees need to comply with legislation with regard to equal opportunities/human rights in the workplace.
- Businesses should develop equity programmes/promote strategies to ensure that all employees are treated equally regardless of status/rank/power.
- Training/Information/Business policies should include issues such as diversity/discrimination/harassment.
- Employers should respond swiftly and fairly to reported incidents of discrimination in the workplace.
- Orders/Tasks should be given respectfully and allow the recipient/employee to have a say in the manner in which the task should be performed.
- Business decisions and actions must be clear/transparent to all stakeholders.
- Businesses should be accountable /responsible for their decisions and actions/ patent rights.
- Hire honest/trustworthy accountants/financial officers with good credentials.
- Regular/Timeous payment of taxes
- Draw up a code of ethics/conduct.
- On-going development and training for all employees.
- Performance management systems/Appraisals should be in place.
- Adequate internal controls/monitoring/evaluation.

Types of unethical business practices and examples

Type of unethical/business practices	Examples
Unfair advertising	<ul style="list-style-type: none"> • Giving goods deceptive names/False labelling. • Selling second-hand goods as new goods. • Exaggerating the merits of the product/False promises • Using fine print to conceal important information. • Criticising competitor's goods. • Exploitations of children's lack of understanding. • Misuse of people with disabilities in advertisements. • Advertising that encourages violence. Advertising goods at a very low price to attract customers but when the customer reaches the store the item is no longer there/Bait and switch. • Advertising a product showing additional items, but do not clearly state that these items are excluded.
Pricing of goods in rural areas	<ul style="list-style-type: none"> • Inflating prices • Charging higher for goods of inferior quality in rural areas.
Taxation/Tax evasion	<ul style="list-style-type: none"> • Businesses that do not declare all their income to SARS. • Falsifying the business financial statements.

NOTE: You must be able to identify the above-mentioned types of unethical business practices from given statements and scenarios

Challenges posed by the above-mentioned types of unethical business practices AND Strategies to deal with the above-mentioned types of unethical business practices

UNETHICAL BUSINESS PRACTICE	CHALLENGES	STRATEGY/RECOMMENDATION
1. Unfair Advertising	<ul style="list-style-type: none"> • Unfair advertisements could be harmful to consumers. • The use of false or misleading statements in advertising leading to misrepresentation of the concerned product, which may negatively affect consumers. • Businesses can make unwise advertising choices when they are under pressure to increase their profits. • Some advertisements may be regarded as discriminatory because they exclude/target some sections of the population. • Deceptive advertising can violate the trust of consumers and destroy business relationships. 	<ul style="list-style-type: none"> • Business should be encouraged to keep their advertising fair and in line with the constitution. • Businesses must know and understand the Code of Advertising as determined by the Advertising Standard Authority (ASA) and apply its regulations. • 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.
2. Pricing of goods in rural areas	<ul style="list-style-type: none"> • Some businesses in the rural areas exploit their customers by adding much more than necessary to their prices. • Business may form monopolies in rural areas and increase their prices unilaterally. • It may be common practice to pay higher prices for goods of inferior quality in rural areas. • Businesses may experience a decline in sales due to high costs added to the price of the final product. 	<ul style="list-style-type: none"> • Work together with suppliers to share delivery costs to remote rural areas. • Businesses can buy in bulk to get a discount to avoid charging high prices. • Charge fair/market related prices for goods and services. • Avoid unethical business practices to attract customer loyalty.

	<ul style="list-style-type: none"> • Some stock may become obsolete due to low rate of stock turnover/reduced number of customers. • Charging high prices may impact negatively on the business image which may result in reduced number of customers. 	<ul style="list-style-type: none"> • A business may lobby with other businesses in the area to convince government to improve infrastructure in the rural area • Investigate cost-effective ways of transporting products/Hire a large
3. Tax evasion	<ul style="list-style-type: none"> • Businesses may pay heavy fines for evading tax. • Tax evasion may negatively impact on the business image. • The accountant may charge 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 to penalties. • Businesses may not be familiar with the latest changes in tax legislation. 	<ul style="list-style-type: none"> • 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. • Business should keep an accurate record of income statements/financial transactions. • The employees' payroll needs to reflect accurate deductions according to the progressive tax system.

Type of unprofessional business practices and examples

Type of unprofessional business practices	Examples
Sexual harassment	-Manages who promise employees promotions if they agree to have a relationship with them.
Unauthorised use of workplace funds and resources	-Employees who download music and movies using the business's resources -An employee who uses business resources for his/her own personal gain.
Abuse of work time	-Making personal calls during work hours. -Taking extended lunch breaks -Doing personal business during work hours

NOTE: You must be able to identify the above-mentioned types of unprofessional business practices from given statements and scenarios.

Challenges posed by the above-mentioned types of unprofessional business practice AND Strategies to deal with the above-mentioned types of unprofessional business practice

UNPROFESSIONAL BUSINESS PRACTICE	CHALLENGES	STRATEGIES/RECOMMENDATIONS
1. Sexual harassment	<ul style="list-style-type: none"> • The affected party may stay away regularly from work. • Businesses could lose female employees and attract/retain less female applicants. • Sexual harassment causes discomfort/humiliation and negatively affects work relations in the workplace • A victim may be severely traumatised, and this may affect other employees' emotionally. • The affected party is normally reluctant to report the incident due to fear of victimisation which can reduce productivity. 	<ul style="list-style-type: none"> • Provide a framework for corrective action. • Educate employees on sexual harassment matters. • Formulate a policy regarding sexual harassment • Implement internal complaints and disciplinary procedures. • Ensure compliance with the law/business code of conduct • Ensure that all employees are familiar with the code of ethics of sexual abuse. • Create a good working environment where all employees' rights and dignity are respected. • Internal investigation should be done in order to determine the seriousness of the harassment. • Serious cases/matters on sexual harassment should be reported to the appropriate institutions such as the South African Police Services (SAPS).
2. Unauthorised use of workplace funds and resources	<ul style="list-style-type: none"> • Fraud increases the cost of doing business and undermine the competitiveness of a business • Discourages investors as fraud and corruption increases the risk of investment. • The business can experience substantial loss if it goes unchecked. 	<ul style="list-style-type: none"> • Conduct regular audits. • Identify risk areas/ vulnerable areas • Educate employees about the impact of fraud • Implement/Introduce fraud prevention strategies • Limit the number of employees having access to business funds/assets. • Fraud prevention should be a collective responsibility of business and workers.

		<ul style="list-style-type: none">• Clear policies should be in place so that employees are aware of what is considered to be fraud.• Set up systems in the organisation for the reporting of fraud and corruption.
3. Abuse of work time	<ul style="list-style-type: none">• It may result in employees' often abusing work time.• Abuse of work time could result in losing customers or not meeting deadlines.• Wasting time costs the business money and affects productivity.• Abuse of work time results in a decline in profits which could damage the financial wealth of the business.• Effective customer services may not be rendered resulting in the negative image of the business.	<ul style="list-style-type: none">• Speak directly to those employees who abuse work time.• Monitor employees to ensure that tasks are completed on time.• Remind employees that profit will decrease resulting to less incentives/bonus pay-outs.• Code of conduct/ethics should contain clear rules about abuse of work time.• Conduct training on the contents of the code of conduct/ethics.• Code of conduct/ethics should be signed by all employees so that they are aware of its contents.• Structure working hours in such a way that employees have free/flexible time for personal matters.• Create a culture of responsibility/strengthen team spirit in order for all employees to feel responsible for what has to be achieved.

BUSINESS ROLES

PAPER 2

TOPIC 4: CREATIVE THINKING AND PROBLEM SOLVING

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

PROBLEM-SOLVING

Learners must be able to:

- Define/Elaborate on the meaning of problem-solving and decision making.
- Explain/Differentiate/Distinguish between problem-solving and decision making.
- Identify/Name/Outline/Explain/Discuss the problem-solving steps.
- Apply the problem-solving steps from given scenarios/case studies.
- 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 above-stated problem-solving techniques to solve complex business problems.
- Discuss/Evaluate/Analyse the impact (positives/advantages and/or negatives/ disadvantages) of the above-stated problem-solving techniques.

CREATIVE THINKING

- Define/Elaborate on the meaning of creative thinking.
- Explain the benefits/advantages of creative thinking in the workplace.
- Explain/Recommend ways businesses can create an environment that promotes creative thinking in the workplace.

Terms and definitions

TERM	DEFINITION
Creative	To be original, inventive, or resourceful.
Generate	To produce or create.
Creativity/ Innovative	Ideas featuring new and original methods.
Creative thinking	The ability to think of original, varied new ideas or new approaches
Decision-making	Process of analysing a situation to identify strategies to bring about change.
Problem	Experiencing uncertainty or difficulty in achieving what we want to achieve.
Problem-solving	Gathering facts that include problem findings and problem shaping.
Problem-solving techniques	Various problem-solving techniques which businesses used to solve business related problems.

PROBLEM SOLVING

Meaning of Problem Solving

- It is the process of analysing a situation to identify strategies that can be used to change the situation. Problem solving requires creative thinking.
- Problem solving is a mental process that involves problem finding, which is the ability to identify the problem.
- It also involves problem shaping, which is the ability to break-down the problem in such a way that a clear solution can be found.

Meaning of Decision Making

- Decision making is a choice made by using one's judgement.
- It is also aimed at finding a solution to a problem by choosing a best solution or course of action.

Differences between Problem Solving and Decision Making

DECISION MAKING	PROBLEM SOLVING
-It is often done by one person/a member of senior management who makes it authoritarian.	-Problems can be solved by a group/ team or an individual team member.
-Various alternatives are considered before deciding on the best one.	-Alternative solutions are generated/ identified and critically evaluated.
-It is part of the problem-solving cycle as decisions need to be taken in each step.	-Process of analysing a situation to identify strategies to bring about change.

Problem solving steps

- Identify the problem.
- Define the problem.
- Identify possible solutions to the problem.
- Select the most appropriate alternative.
- Develop an action plan.
- Implement the suggested solution/action plan.
- Monitor the implementation of the solution/action plan.
- Evaluate the implemented solution.
- Formulate strategy.
- Implement strategy.
- Evaluate strategy.

NOTE: Steps can be in any order

Application/Discussion of problem-solving steps

Identify the problem

- Acknowledge that there is a problem.
- Identify the exact problem.
- Break down the problem into smaller parts that are easier solve separately.

Define the problem

- Name the problem by stating exactly what the problem is.
- Find different ways of defining the problem.
- Define the possible causes of the problem.
- The nature of the problem must be precise.
- Gather as much information as possible to establish the cause of the problem.

Identify alternative solutions

- Identify all different possible solutions.
- Use creative thinking strategies to generate a wide range of solutions.
- Focus on generating as many ways as possible through using creative thinking.
- Collect as many ideas as possible and find the best idea/decide on one strategy to follow.

Evaluate alternative solutions

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

Choose the best solution

- Set criteria for the best solution, in terms of aspects such as time/cost/risk involved
- Identify which solution will be used
- The best solution should match the size and the resources of the business.
- If the solution is not appropriate, the business should go back to defining the problem.

Formulate/Develop an action plan/strategy

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

Implement the action plan

- Carry out the planned actions/solution.
- Communicate delegated tasks/deadlines to employees.

Evaluate the solution/action plan

- Assess whether the problem has been solved partially or entirely
- Monitor/test the solution/action plan/strategy continuously.
- If problems emerge, they must recognise and re-formulate the problem for improved solutions in the future.

Problem solving techniques

- Delphi technique
- Force field analysis

- Brainstorming
- Nominal group technique

NOTE: You only need to focus on the above-mentioned problem-solving techniques

Impact of problem-solving techniques

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/solutions on how to improve on productivity/profitability.
- Information received from experts can be used to solve complex business problems.
- Experts may give honest/credible opinions as they do not have a direct/personal interest in the business.
- Conflict may be avoided especially if all employees are knowledgeable and well qualified.
- Dominating employees may not take over the process as they do not form part of the problem-solving process.
- It reduces noise levels in an office environment since there is no group discussion.

AND/OR

Negatives/Disadvantages

- It is an expensive technique to use due to high administrative costs.
- Not all experts are willing/interested to give feedback/complete questionnaires.
- Some experts might not have an in-depth knowledge of certain topics.
- Experts' suggestions may not be considered by some employees so consensus may not be reached.
- May be time consuming/complicated to analyse data received from experts.

Impact of the Force-Field Analysis

Positives/Advantages

- Employees feel included and understood.
- Employees develop and grow with the business.
- It provides a visual summary of all the various factors supporting and opposing a particular idea.
- Informed decisions can be made as forces for and against are critically evaluated.
- Enables businesses to strengthen the driving forces and weaken the restraining forces.
- Businesses are able to have an idea of the timeline required and the requirements of additional resources.

AND /OR

Negatives/Disadvantages

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

The impact of Brainstorming

Positives/Advantages

- People get ideas from others and build on them.
- Stimulates creative thinking in the workplace.
- Better solutions are developed through collective contributions.

- Combinations of ideas/improvements can be chosen after all the ideas have been written down.
- Employees are motivated as they are allowed to contribute to problem solving.

AND/OR

Negatives/Disadvantages

- Some team members may dominate discussion.
- Discussion may result in conflict due to differences in opinion.
- Fear of criticism may prevent full participation in brainstorming sessions.
- It may lead to 'group think'/some individuals may not give their opinions.
- Brainstorming is time consuming as all stakeholders/employees may generate too many ideas which can delay decision making.

The impact of the Nominal Group technique

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Small groups limit participation and are pre-selected.
- It is time consuming, as each member must make a presentation.
- Suggestions may not be as creative as when a group throws ideas around.
- Good ideas can be voted out because its potential cannot be developed further.
- 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).
- It is hard to implement it effectively with large groups unless very carefully planned beforehand.
- Requires extended advance preparation, which means that it cannot be a spontaneous technique.

Application of the problem-solving techniques

Application of the Delphi technique

- Businesses must invite a panel of experts to research the complaints from customers.
- Experts do not have to be in one place and will be contacted individually.
- Design a questionnaire consisting of questions on how to improve the quality of their products and distribute it to the panel members/experts.
- Request the panel to individually respond to the questionnaire/suggest improvements to the products and return it to the business
- Summarise the responses from the experts in a feedback report.
- Send the feedback report and a second set of questions/questionnaire based on the feedback report to the panel members.
- Request panel members to provide further input/ideas on how to improve the quality of products after they have studied the results/documentation.
- Distribute a third questionnaire based on previous feedback from the second round.
- Prepare a final summary/feedback report with all the methods to improve the quality of the business's products
- The business should choose the best solution/proposal after reaching consensus.

Application of Force-Field Analysis

- Describe the current situation/problem and the desired situation.
- 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.

Application of Brainstorming

- State/Define the business problem clearly, so that all participants/stakeholders understand the problem.
- Members state possible causes of the business problems.
- Set a time limit for each brainstorming session.
- Record/Write ideas down, where all participants can see it. /Ideas may also be shared online during an E-brainstorming session.
- Use each suggestion, to inspire new thoughts/ideas.
- Do not judge/criticise/discuss the ideas, so that many ideas could be generated as quickly as possible.
- All members of the group randomly make suggestions.
- The group rates ideas according to its usefulness/success/difficulty/cost to implement.
- The group evaluates all ideas and combines similar ones/draw up a refined list.
- Discuss a plan of action on how to implement the best ideas.

Application of Nominal-Group technique

- Encourage group to clearly define the problem/to improve the quality of their products due to various complaints so that all the small groups can work on the same problem.
- The business must divide the employees into smaller groups.
- Request each employee to silently brainstorm /generate many ideas on his/her own, on how the quality of the product can be improved and to write it down.
- Each employee in the small group has the opportunity to give one of his/her idea/solution with a short explanation.
- Appoint one employee to write the ideas/solutions on a large sheet of paper/ capture solutions electronically on computer for all to see.
- Allow each employee to give a second solution until all possible solutions have been recorded.
- Encourage employees to ask clarity seeking questions.
- Discourage criticism of ideas/solutions as this may prevent others from giving their solutions.
- The business must eliminate ideas that are duplicated/ similar.
- Each employee must read through all the suggestions and anonymously rate them giving the highest points for the best solution.
- Collect the ratings and calculate total points.
- Small groups must present one solution to the large group that was deemed best according to the scores/votes in their small groups.

CREATIVE THINKING

Meaning of Creative Thinking

- Creative thinking is the ability to think of original and innovative ideas.
- It focuses on exploring ideas/generating possibilities and looking for many answers.

Advantages/Benefits of creative thinking in the workplace

- Better/Unique/Unconventional ideas/solutions are generated.
- Complex business problems may be solved.
- Improves motivation amongst staff members.
- Management/employees may keep up with fast changing technology.
- Creativity may lead to new inventions which improves the general standard of living.
- May give the business a competitive advantage if unusual/unique solutions/ ideas/strategies are implemented.
- Productivity increases as management/employees may quickly generate multiple ideas which utilises time and money more effectively.
- Managers/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/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/employees feel that they have contributed towards problem solving.
- Managers/Employees have a feeling of great accomplishment, and they will not resist/obstruct the process once they solved a problem/contributed towards the success of the business.
- Stimulates initiative from employees/managers, as they are continuously pushed out of their comfort zone.

Ways in which a business can create an environment that stimulates/promote creative thinking

- Encourage alternative ways of working/doing things.
- Respond enthusiastically to all ideas and never let anyone feel less important.
- Place suggestion boxes around the workplace and keep communication channels open for new ideas
- Emphasise the importance of creative thinking to ensure that all staff know that management want to hear their ideas.
- Make time for brainstorming sessions to generate new ideas, e.g. regular workshops/ generate more ideas/build on one another's ideas.
- Train staff in innovative techniques/creative problem-solving skills/mind-mapping/ lateral thinking.
- Encourage job swops within the organisation/studying how other businesses are doing things.
- Reward creativity with reward schemes for teams/individuals that come up with creative ideas.
- Provide a working environment conducive to creativity, free from distractions.

BUSINESS ENVIRONMENTS

PAPER1

TOPIC 5: BUSINESS STRATEGIES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Outline/Explain/Describe/Discuss the strategic management process.
- Apply the strategic management process to solve business-related problems.

INDUSTRIAL ANALYSIS TOOLS

- 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 as envisaged when strategies were implemented.

T E R M	DEFINITION
Formulation of strategies	To devise/develop a strategy.
Implementation of strategies	This takes place after the formulation of the strategy and involves all the activities that are required for putting the strategy into action.
Evaluation of strategies	This takes place after the implementation of the strategy and determines whether the implemented strategy resolved the challenge.
Industry analysis tools	SWOT, Porter's Five Forces and PESTLE analysis models are used to analyse the challenges posed by business environments.

Suppliers	Include factories/providers of goods/services that businesses would obtain/buy from in order to operate their business.
Buyers	The final users of the product/services.
Competitors	All other businesses selling the same/similar products/services
Substitute product or service	Different products/services that satisfy the same needs of consumers and can be used to replace one another.
New Entrants	New businesses that are selling the same/similar products entering the market for the first time.

Definition of a strategy

- A strategy is a long-term plan of action to achieve a goal.
- A strategy is a plan of action to address an opportunity or to solve a problem.
- The business needs a strategy to achieve its vision and mission.

The strategic management processes

Option 1

- Have a clear vision, a mission statement and measurable/realistic objectives in place.
- Identify opportunities/weaknesses/strengths/threats by conducting environmental scanning/situational analysis.
- Tools available for environmental scanning may include a SWOT analysis/Porter's Five Forces model/PESTLE analysis/industrial analysis tools.
- Formulate alternative strategies to respond to the challenges. (**This involves different types of business strategies**)
- Develop (an) action plan(s), including the tasks to be done/deadlines to be met/resources to be procured, etc.
- Implement selected strategies by communicating it to all stakeholders/organising the business's resources/motivating staff.
- Continuously evaluate/monitor/measure strategies in order to take corrective action. (**This involves steps in evaluating a strategy**)

Option 2

- Review/Analyse/Re-examine their vision/mission statement.
- Conduct an environmental analysis using models such as PESTLE/PORTER'S/SWOT.
- Formulate a strategy such as a defensive/retrenchment strategy.
- Implement a strategy, using a template such as an action plan.
- Control/Evaluate/Monitor the implemented strategy to identify gaps/deviations in implementation.
- Take corrective action to ensure goals/objectives are met.

NOTE: The steps may be in any order.

INDUSTRIAL ANALYSIS

COMPILATION OF A SWOT ANALYSIS

STRENGTHS (INTERNAL)	WEAKNESSES (INTERNAL)
<ul style="list-style-type: none"> • Skilled employees and a strong customer base • Provide high quality product. • Unique or lowest-cost resources • Sufficient resources • Co- competency 	<ul style="list-style-type: none"> • High-cost infrastructure • High employee turnover • Weak brand portfolio • High debts level • What are people in your market likely to see as weaknesses? • What factors cause loss of sales • Are your competitors doing any better than you?
OPPORTUNITIES (EXTERNAL)	THREATS (EXTERNAL)
<ul style="list-style-type: none"> • Market growth for the business product. • New technology that will enhance quality services and products • Changing customer habits. • Disposable income level will increase. • Government's incentives for 'specific industry • Growing number of people buying online (electronic marketing) • What good opportunities can you spot? 	<ul style="list-style-type: none"> • Corporate tax may increase • Rising pay levels. • Intense competition. • Increasing fuel price. • Aging population. • Stricter laws regulating environment pollution • Currency fluctuations. • Changing technology.

NOTE: The SWOT analysis is usually assessed in the form of a scenario as indicated below:

Example of a scenario that requires learners to compile a SWOT analysis

DAVE DIGITAL SOUND (DDS)
<p>DDS specialises in selling radios and car sound systems. They employ qualified sound engineers. The business does not have sufficient capital to buy and sell sound systems that cater for large events. Businesses in the same industry are closing down due to ineffective marketing campaigns. DDS is located in a high crime area.</p>

An example of a SWOT analysis of Dave Digital Sound DDS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • DDS employs qualified sound engineers. • DDS specialises in selling radios and car sound systems. 	<ul style="list-style-type: none"> • The business does not have sufficient capital to buy/sell sound systems that cater for large events.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Businesses in the same industry are closing down due to ineffective marketing campaigns. 	<ul style="list-style-type: none"> • DDS is located in a high crime area.

NOTE: You need to quote verbatim (as is) from the scenario, otherwise you will lose marks for writing incomplete quotes or for writing a summary of the scenario.

PORTERS' FIVE FORCES MODEL

- Power of suppliers
- Power of buyers
- Power of competitors/Competitive rivalry
- Threat of substitution/substitutes
- Threat/Barriers of new entrants to the market

NOTE: Ensure that you are able to correctly name the above-mentioned Porter's Five Forces model to avoid losing marks.

APPLICATION OF PORTERS' FIVE FORCES MODEL

Power of suppliers

- Assess the power of the suppliers in influencing prices
- Suppliers that deliver high quality product may have power over the business.
- The more powerful the suppliers, the less control the business has over them.
- The smaller the number of suppliers, the more powerful they may be as the choice of suppliers may be limited.
- Identify the kind of power suppliers' have in terms of the quality of products/services/reliability/ability to make prompt deliveries, etc.

Power of buyers

- Assess how easy it is for buyers/customers to drive prices down.
- Determine the number of buyers/the importance of each buyer to the business and the cost of switching to other products.
- A few powerful buyers are often able to dictate their terms to the business.
- Buyers buying in bulk can bargain for prices in their favour.
- If buyers can do without the business's products, then they have more power to determine the prices and terms of sale.
- Conduct market research to gather more information about buyers.

Power of competitors/Competitive rivalry

- If competitors have a unique product/service, then they will have greater power.
- A business with many competitors in the same market has very little power in their market.
- Draw up a competitor's profile so that they can determine their own strength as well as that of competitors.
- Some businesses have necessary resources to start price wars and continue selling at a loss until some/all competitors leave the market.

Threat of substitution/substitutes

- If the business's product can be easily substituted, it weakens the power of the business in the market.
- Establish whether the sellers of substitute products have improved their product/sell lower quality goods at lower prices.
- If the business sells unique products, it will not be threatened by substitute products.

- Assess if customers are using substitute products/services and determine reasons for using substitutes.

Threat/Barriers of new entrants to the market

- If the barriers to enter the market are low, then it is easy for new businesses to enter the market/industry.
- If there are a few suppliers of a product/service but many buyers, it may be easy to enter the market.
- If the business is highly profitable, it will attract potential competitors that want to benefit from high profits.
- New competitors can quickly/easily enter the market if it takes little time/ money to enter the market.

NOTE: The main aim of Porter's Five Forces model is to analyse the business position in the market. This is more of a research study done by businesses. Do not focus on recommendations as this is not form part of an analysis. You must also be able to identify Porter's Five forces model from given statements and scenarios.

PESTLE ANALYSIS

- Political factors
- Economic factors
- Social factors
- Technological factors
- Legal factors
- Environmental factors

NOTE: Ensure that you are able to name and identify the PESTLE factors from given statements/scenarios.

CHALLENGES POSED BY THE PESTLE FACTORS AND RECOMMENDATIONS

NOTE: You need to name the PESTLE factor, identify challenges of each factor and recommend ways businesses can deal with the identified challenges as explained in the table below:

FACTOR	CHALLENGES	RECOMMENDATIONS
Political	<ul style="list-style-type: none">• Some government policies may affect businesses• Consumer rights organisations may prevent businesses from selling products if they do not meet certain requirements.• Trade agreements may prevent businesses from importing some medicine/products.	<ul style="list-style-type: none">• Research recent government policies• Network and lobby with the NGOs and all consumer rights organisations.• Trade only with countries that have favourable trade agreements with the government.
Economic	<ul style="list-style-type: none">• Inflation/Interest rates may negatively impact on business.• Loans may be expensive due to high interest rates.• Fluctuations in foreign currency may restrict import.	<ul style="list-style-type: none">• Consider decreasing profit margins rather than increasing product prices.• Borrow money from financial institutions when interest rates are favourable.• Consider exchange rates when trading with other countries

Social	<ul style="list-style-type: none"> • Customers may not be able to afford products due to low-income levels/high unemployment. • Businesses may not be conversant with the language of their customers. • Some customers may prefer to spend their money on medical bills for the treatment of chronic illnesses. • High crime rate may affect the trading hours of businesses resulting in decreased profit. 	<ul style="list-style-type: none"> • Sell substitute/generic products at lower prices. • Learn local languages/Hire employees who are well conversant with the local language.
Technological	<ul style="list-style-type: none"> • Businesses may not keep up with/be aware of the latest technology. • Employees may not be skilled to operate/maintain new technology/equipment. • Businesses may not be able to afford new technology. • May not be able to cater for/ afford online transactions/e-commerce. 	<ul style="list-style-type: none"> • Continuous research on the latest available technology/equipment in the market. • Train existing/appoint new employees to maintain/use new equipment. • Compare prices/Select suitable suppliers for new equipment at reasonable prices. • Businesses must be geared for online trading/e-commerce
Legal	<ul style="list-style-type: none"> • Certain Acts may have a direct impact on a business, e.g. the CPA/BCEA. • Legal requirements for operating certain types of businesses time-consuming. • High legal costs involved in obtaining a licence/trademark/patent may prevent some establishments. • Legalities of business contracts may limit business operations 	<ul style="list-style-type: none"> • Comply with all relevant legislation that may impact on businesses. • Comply with the legal requirements for operating businesses, e.g. licence/trade mark registration/patents. • Budget for high legal establishment costs. • Businesses must know the legalities of business contracts so that they comply with all the requirements.
Environmental	<ul style="list-style-type: none"> • Chemicals/Ingredients in business' products may be harmful to customers • Measures to dispose of business waste may be expensive. • Packaging of some products may not be environmentally friendly may not be recyclable. 	<ul style="list-style-type: none"> • Chemicals/Ingredients should be clearly indicated on labels/packaging to inform customers about possible side effects/correct use of products. • Implement cost effective measures to dispose of medical waste. • Implement recycling measures to prevent pollution of the environment/Use packaging that is re-usable/recyclable.

NOTE: The industrial analysis tools (SWOT, PESTLE AND PORTERS'FIVE) and business strategies form part of the strategic management process.

Types of business strategies

Integration strategies

Forward vertical integration

Integration Strategies:

These are strategies used when there is a need for an alliance, merger or takeover.

- The business combines business with or take over its distributors.
- Involves expansion of business activities to gain control over the direct distribution of the products.

Backward vertical integration

- The business combines business with or take over its suppliers.
- The aim is to decrease the business's dependency on the supplier

1.1 Horizontal integration

- A business takes control of/ incorporates other businesses in the same industry/which produce/sell the same goods/services.
- The aim is to reduce the threat of competition /substitute products/services.

Intensive Strategies: Refers to strategies aimed at increasing sales and market share through intensive efforts to improve long-term growth.

Intensive strategies

Market penetration

- New products penetrate the existing market at a low price, until it is well known to the customers and then price increases.
- Businesses use market research on existing clients to decide how to improve their marketing mix .
- Embark on an intensive marketing campaign to increase awareness and customer loyalty.
- Employ more sales staff to improve sales /services

Market Development

- It is a growth strategy where businesses aim to sell its existing products in new markets.
- This strategy involves finding new markets and new ways to distribute product.

Product Development

- It is a growth strategy where businesses aim to introduce new products into existing markets/modifies an existing product.
- Businesses generate new ideas and develop new products/services
- Businesses conduct test marketing/ market research to establish whether new products will be accepted by existing customers
- New products may be different / of a higher quality than those of competitors

Advantages of intensive strategies

- Increase in sales/income and profitability.
- Regular sales to existing customers may increase.
- Gain customer loyalty through effective promotion campaigns.
- Improved service delivery may positively impact/increase sales.
- Eliminate competitors and dominate market prices.
- Decrease in price could influence customers to buy more products.
- Enables the business to focus on markets/well researched quality products that satisfy the needs of consumers.
- Increased market share reduces the business's vulnerability to actions of competitors.

Diversification strategies

Diversification Strategies: These strategies are used to increase sales and to ensure that there is growth in a business.

Concentric diversification

- The business adds a new product or service that is related to existing products, and which will appeal to new customers.
- Occurs when a business wants to increase its product range and markets.

Horizontal diversification

- The business adds new products or services that are unrelated/ different to existing products, but which may appeal to existing/current customers.
- Occurs when a business acquires or merges with a business that is at the same production stage, but it may offer a different product.

Conglomerate diversification

- The business adds new products or services that are unrelated to existing products which may appeal to new groups of customers.
- Conglomerate diversification means that a business grows into new products, services and markets.

Advantages of diversification strategies

- Increase sales and business growth.
- Improves the business brand and image.
- Reduces the risk of relying only on one product.
- More products can be sold to existing customers and additional more new markets can be established.
- Businesses gain more technological capabilities through product modification
- Diversification into a number of industries or product line can help create a balance during economic fluctuations.
- Businesses produce more output using less inputs as one factory may be used to manufacture more products.

Defensive Strategies: Marketing tools that management uses to defend their business from potential competitors.

Defensive strategies

Divestiture

- The business disposes/sells some assets/divisions that are no longer profitable/ productive.
- Businesses may sell off divisions/product lines with slow growth potential.
- The business sells ownership by decreasing the number of shareholders.
- Unproductive assets are sold to pay off debts.
- Process used to withdraw its investment in another business (divesting).

Retrenchment

- Terminating the employment contracts of employees for operational reasons.
- Decreasing the number of product lines/Closing certain departments may result in some workers becoming redundant.

Liquidation

- All assets are sold to pay creditors due to a lack of capital/cash flow.
- Selling the entire business in order to pay all liabilities/close down the business.
- Companies in financial difficulty may apply for business rescue to avoid liquidation.
- Creditors may apply for forced liquidation in order to have their claims settled.

NOTE: You must be able to identify the types of business strategies from given scenarios/statement.

Steps in evaluating a strategy

- Examine the underlying basis of a business strategy.
- Look forward and backwards into the implementation process.
- Compare the expected results in order to determine the reasons for deviations and analyse these reasons.
- Take corrective action so that deviations may be corrected.
- Set specific dates for control and follow up.
- Draw up a table of the advantages and disadvantages of a strategy.
- Decide on the desired outcome.
- Consider the impact of the strategic implementation in the internal and external environments of the business.
- Decide on the desired outcome as envisaged when strategies were implemented.

NOTE: The steps can be in any order.

TERM TWO BUSINESS ENVIRONMENTS

PAPER2

TOIPC 6: BUSINESS SECTORS AND THEIR ENVIRONMENTS

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must 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.

TERMS AND DEFINITIONS

TERM	DEFINITION
Business Sector	A business sector is a sub-division/subset of the economic activities. E.g., primary, secondary and tertiary.
Primary sector	This sector deals with extraction of raw materials and natural resources.
Secondary sector	This sector processes raw materials into finished goods.
Tertiary sector	This sector renders services to another businesses/provides auxiliary services.
Business Environments	All the internal and external factors that affect the functioning of a business. These environments include the micro, market and macro environments.
Micro environment	Business itself, it consists of all the elements inside the business.
Market environment	This environment exists immediately outside the business.
Macro environment	This environment exists outside the micro and the market environments.
Extent of control	The amount of influence that a business has on the business environments.

Business Sectors

- Business sectors are sub-divisions/subsets of economic activities, e.g., primary, secondary and tertiary.

Types of business sectors

Primary sector

- This sector deals with extraction of raw materials and natural resources.
- Natural resources which are not man made like coal, gold, fish and livestock are extracted from this sector.
- Examples the primary sector industries: mining, mining, fishing, agriculture, forestry and farming

Secondary sector

- This business sector is responsible for changing the raw materials acquired from the primary sector into useful products.
- It includes the manufacturing factories, construction and energy generation
- Examples of the secondary sector industries; manufacturing, clothing, food processing, building and construction are found in this sector.

Tertiary sector

- This sector renders services to the public and businesses.
- It includes services from transport, banking, legal and health.
- Examples of the tertiary sector industries; distribution, banking, insurance, tourism, transportation, entertainment, retail and legal services.

NOTE: You must be able to name the above-mentioned business sector from given scenarios/statements

Possible business challenges, their environments and extent of control

Possible challenges	Business environment	Extent of control
<ul style="list-style-type: none">• Difficult employees/ High rate of absenteeism• Lack of vision and mission• Lack of adequate management skills• Unions, strikes and go-slows	Micro environment	Full control
<ul style="list-style-type: none">• Competition• Shortages of supply• Demographics and psychographics• Socio-cultural factors	Market environment	Partial/Some/Limited/Less control/Can influence the environment.
<ul style="list-style-type: none">• Change in income levels• Contemporary legislation• Labour restrictions• Political changes• Interest rates• Socio-economic issues• HIV and AIDS• Globalisation and International challenges	Macro environment	No control

NOTE: You will only be able to do the following:

- Quote business challenges from the scenario
- Classify these challenges according to the business environments
- The challenge must be linked to the business environments
- State the extent of control businesses have over each business environment.
- The extent of control must be linked to the business environment.

Examples of how the business sectors and their business environments can be assessed

Example 1: Business in the primary sector

Read the scenario below and answer the questions that follow:

DUKA MINES (DM)

Duka Mines specialises in the extraction of platinum. Their suppliers of mining equipment have increased their prices by more than 20%. The supervisor does not have a good working relationship with his employees. DM can no longer export their products due to an increase in the exchange rate.

You need to identify the business sector in which Duka Mines operates and motivate your answer by quoting from the scenario.

- Duka Mines is operating in the primary sector because the business specialises in the extraction of mines.

You need to quote challenges from the above scenario, classify EACH challenge according to business environment and state the extent of control DM has over EACH business environment

CHALLENGES	BUSINESS ENVIRONMENTS	EXTENT OF CONTROL
<ul style="list-style-type: none">• Their suppliers of mining equipment have increased their prices by more than 20%.	<ul style="list-style-type: none">• Market environment	<ul style="list-style-type: none">• Partial/Some/Limited/Less control/Can influence the environment
<ul style="list-style-type: none">• The supervisor does not have a good working relationship with his employees.	<ul style="list-style-type: none">• Micro environment	<ul style="list-style-type: none">• Full control
<ul style="list-style-type: none">• DM can no longer export their products due to an increase in the exchange rate.	<ul style="list-style-type: none">• Macro environment	<ul style="list-style-type: none">• No control

Example 2: Business in the secondary sector

Read the scenario below and answer the questions that follow:

SUPER ENERGY ENTERPRISE (SEE)

Super Energy Enterprise produces maize meal and instant soft porridge. They buy their raw material from Early Bird Maize Farm which is out of stock sometimes. SEE employees are regularly absent from work. The local government has instructed the management of SEE to register their products with the South African Bureau for Standards.

Name the business sector in which Super Energy Enterprise is operating.

- Secondary sector

Identify THREE challenges for SEE's business and classify EACH challenge according to the business environment.

CHALLENGE	BUSINESS ENVIRONMENT
(a) SEE employees are regularly absent from work	Micro environment
(b) They buy their raw material from Early Bird Maize Farm which is out of stock sometimes.	Market environment
(c) The local government has instructed the management of SEE to register their products with the South African Bureau of Standards.	Macro environment

Example 3: Business in the tertiary sector

Read the scenario below and answer the questions that follow:

TIMOTHY LEGAL SERVICES (TLS)

Timothy Legal Services (TLS) is situated at the Pretoria CBD. TLS's assistant lawyers are not trained to handle criminal cases. Another law firm, Mbuzi Inc. has set up a law practice in the same office block as TLS. TLS can no longer pay their bank loan due to an increase in interest rates.

Name the business sector in which TLS is operating. Motivate your answer by quoting from the scenario above.

- **Business sector:** Tertiary sector
- **Motivation:** Timothy Legal Services (TLS) is situated at the Pretoria CBD

Identify THREE challenges for TLS business and classify EACH challenge according to the business environment. State the extent of control TLS has over EACH business environment

CHALLENGE	BUSINESS ENVIRONMENT	EXTENT OF CONTROL
TLS's assistant lawyers are not trained to handle criminal cases.	Micro environment	Full control
Another law firm, Mbuzi Inc. has set up a law practice in the same office block as TLS.	Market environment	Partial/Some/Limited/Less control
TLS can no longer service their bank loan due to an increase in interest rates.	Macro environment	No control

NOTE: You may sometimes be asked to name three business environments and explain the extent of control businesses have over EACH business environment e.g.

BUSINESS ENVIRONMENTS	EXTENT OF CONTROL
Micro environment	Full control
Market environment	Partial/Some/Limited/Less control
Macro environment	No control

BUSINESS OPERATIONS

PAPER1

TOPIC 7: QUALITY OF PERFORMANCE

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

QUALITY

Learners must 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 quality of performance can contribute to the success and/or failure of each business function.
- Outline the quality indicators for each business function.

TOTAL QUALITY MANAGEMENT (TQM)

- 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 of processes and system
 - 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.
- Explain/Discuss the impact of TQM if poorly implemented by businesses.
- Explain/Recommend/Suggest ways in which TQM can reduce the cost of quality.

TERMS AND DEFINITIONS

TERMS	DEFINITIONS
Quality	Products and services that satisfy needs and exceeds customer
Total Quality management	It is a management approach/system that focuses on continuous quality improvement throughout the business.
Management	Planning and management of quality through strong leadership and
Business functions	The various aspects of the business that perform different roles e.g.

SABS	South African Bureau of Standards, body that sets quality standards and
ISO 9001	Provides the guidelines for quality management. A company may not export any products unless it registers as an ISO 9001 company.
Standards	The specification of what is acceptable in terms of technical requirements.
Total client satisfaction	It is a measure of how products and services supplied by a company
Continuous skills development/Education and Training	Developing employees' skills that will add value for the organisation and career development.
Continuous improvement to processes and systems	Processes and systems are the flow of activities implemented to create or deliver products and services to customers.
Monitoring and evaluation of quality processes	A process that helps to improve performance and achieve results. Its goal is to improve current and future management of outputs, outcomes and impact.
Quality circles	A group of workers who do the same or similar work, who meet regularly to identify, analyse and solve work-related problems.
Inspections	A method in which only a selection of products from a batch is measured and tested against required standards.
Deviations	When the product differs from the standard.
Tolerance limit	The extent in which a product is allowed to differ from the standard without affecting quality

QUALITY

Definition of quality concepts

Quality

- Quality refers to a good/service's ability to satisfy a specific need.
- The efficiency of services and the ability to provide an effective outcome without too many delays.
- It is measured against specific criteria such as physical appearance /reliability/durability/sustainability/after-sales services.

Quality control

- A system that ensures the desired quality is met by inspecting the final product.
- Ensures that finished products meet the required standards.
- Process of ensuring that products are consistently manufactured to high standards.
- Checking raw materials/employees/machinery/workmanship/production to ensure that high quality standards are maintained.
- Includes setting targets/measuring performance and taking corrective measures.

Quality assurance

- Checks carried out during and after the production process.
- Ensures that required standards have been met at every stage of the process.
- The building in of quality as opposed to the checking of quality.
- Processes put in place to ensure that the quality of products/services/ systems adhere to pre-set standards with minimal defects/delays/short- comings.
- Ensuring that every process is aimed to get the product 'right the first time' and prevent mistakes from happening.

Quality management

- 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 goods/services is consistent/Focuses on the means to achieve consistency.

Quality performance

- Total performance of each department 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 of goods/services.

Quality Management Systems

- Refers to the framework that a business uses to manage key processes to ensure that they meet the correct standards.

NOTE: You must be able to identify the above-mentioned quality concepts from given scenarios/statements.

Differences between quality control and quality assurance

QUALITY CONTROL	QUALITY ASSURANCE
<ul style="list-style-type: none">▪ Inspection of the final product to ensure that it meets the required standards.	<ul style="list-style-type: none">▪ Carried out during and after the production process to ensure that required standards have been met at every stage of the process.
<ul style="list-style-type: none">▪ Includes setting targets/measuring performance and taking corrective measures.	<ul style="list-style-type: none">▪ Ensures that every process is aimed at getting the product right the first time and prevents mistakes from happening again.
<ul style="list-style-type: none">▪ Checking raw materials/employees/ Machinery/ workmanship/products to ensure that high standards are maintained.	<ul style="list-style-type: none">▪ The 'building in' of quality as opposed to 'checking for' quality.

Differences between quality management and quality performance

QUALITY MANAGEMENT	QUALITY PERFORMANCE
<ul style="list-style-type: none">▪ Techniques/tools used to design/improve the quality of a product.	<ul style="list-style-type: none">▪ Total performance of each department measured against the specified standards.
<ul style="list-style-type: none">▪ Can be used for accountability within each of the business functions.	<ul style="list-style-type: none">▪ Can be obtained if all departments work together towards the same quality standards.
<ul style="list-style-type: none">▪ Aims to ensure that the quality of goods/services consistent/ focuses on the means to achieve consistency.	<ul style="list-style-type: none">▪ Quality is measured through physical product/ statistical output of processes/ surveys of the users and/ or buyers of goods/ services

Benefits/Advantages of a good quality management system

- Effective customer services are rendered, resulting in increased customer satisfaction.
- Time and resources are used efficiently.
- Productivity increases through proper time management/using high quality resources.
- Products/Services are constantly improved resulting in increased levels of customer satisfaction.
- Vision/Mission/Business goals may be achieved.
- Business has a competitive advantage over its competitors.
- Regular training will continuously improve the quality of employees' skills/ knowledge.
- Employers and employees will have a healthy working relationship resulting in happy/productive workers.
- Increased market share/more customers improve profitability.
- Improves business image as there are less defects/returns.

Contribution of business functions to the success of a business/Quality indicators

Contribution of the General Management Function to the success of a business/quality indicators

- Develop/Implement/Monitor effective strategic plans.
- Efficient organisation/allocation of business resources to provide for the successful achievement of long-term and short-term plans.
- Structured standards and norms should be in place so that control mechanisms can be implemented.
- Learn about/understand changes in the business environment on an on-going basis.
- Effectively communicate shared vision, mission and values.
- Set direction and establish priorities for their business.
- Be prepared to set an example of the behaviour that is expected from employees in terms of ethics as well as productivity.
- Be proactive and always seeks to improve competitive advantage over competitors.
- Ensure that all departments/the business meet their deadlines/targets.

Contribution of the Production Function to the success of a business/quality indicators

- Provide high quality services/products according to specifications.
- The production/operating processes of a business should be done correctly through proper production planning and control.
- Products and services should be produced at the lowest possible cost to allow for profit maximisation.
- Businesses should clearly communicate the roles and responsibilities to the production workforce.
- Products must meet customers' requirements by being safe, reliable and durable.
- Businesses should have good after-sales services and warranties.
- Empower workers so that they can take pride in their workmanship.
- Get accreditation from the SABS/ISO 9001 to ensure that quality products are being produced.
- Specify the product or service standards and take note of the factors that consumers use to judge quality.
- Monitor processes and find the root causes of production problems.
- Implement quality control systems to ensure that quality building products are consistently being produced.
- Utilise machines and equipment optimally.
- Accurately calculate the production costs.
- Select the appropriate production system e.g. mass/batch/jobbing.

Contribution of the Purchasing Function to the success of a business/quality indicators

- Buy raw materials in bulk at lower prices.
- Select reliable suppliers that render the best quality raw materials/capital goods at reasonable prices.
- Place orders timeously and regular follow-ups to ensure that goods are delivered on time.
- Effective co-ordination between purchasing and production departments so that purchasing staff understand the requirements of the production process.
- Required quantities should be delivered at the right time and place.
- Implement and maintain stock control systems to ensure the security of stock.
- Maintain optimum stock levels to avoid overstocking/reduce out-dated stock.
- Monitor and report on minimum stock levels to avoid stock-outs.
- Effective use of storage space and maintain product quality while in storage.
- Involve suppliers in strategic planning/product design/material selection/quality control process.
- Ensure that there is no break in production due to stock shortages.
- Establish relationships with suppliers so that they are in alignment with the business's vision/mission/values.
- Have a thorough understanding of supply chain management.

Contribution of the Marketing Function to the success of a business/quality indicators

- Increasing their market share.
- Winning customers by satisfying their needs/wants/Building positive relationships.
- Adhering to ethical advertising practices when promoting products/services.
- Identifying a competitive advantage to focus/improve on marketing strengths.
- Differentiating products in order to attract more customers.
- Constantly reviewing value issues.

- Communicating effectively with customers to get feedback about their experience of products sold/services rendered.
- Co-ordinating distribution with production and advertising strategies.
- Using pricing techniques to ensure a competitive advantage.
- Determine gaps between customer expectations and actual experiences, so that problems/unhappiness may be diagnosed and addressed.
- Making adjustments and changes to products/services based on feedback from customers/results of market research.
- Using aggressive advertising campaigns to sustain/increase the market share.

Contribution of the Financial Function to the success of a business/quality indicators

- Obtain capital from the most suitable/available/reliable sources.
- Negotiate better interest rates in order to keep financial cost down.
- Draw up budgets to ensure sufficient application of monetary resources.
- Keep financial records up to date to ensure timely/accurate tax payments.
- Analyse strategies to increase profitability.
- Invest surplus funds to create sources of passive income.
- Implement financial control measures/systems to prevent fraud.
- Implement credit granting/debt collecting policies to monitor cash flow.
- Draw up accurate financial statements timeously/regularly.
- Accurately analyse and interpret financial information.
- Invest in strategies that will assist the business to remain profitable.
- Avoid over/under-capitalisation so that financial resources will be utilised effectively.

Contribution of the Public Relations Function to the success of a business/quality indicators

- Dealing quickly with negative publicity/less/little/no incidents of negative publicity.
- Providing regular/positive press releases.
- Implement sustainable Corporate Social Investment (CSI) programmes.
- Good results of/Positive feedback from public surveys on business image.
- High standard of internal publicity/appearance of buildings/professional telephone etiquette, etc.
- Deliver quality goods/services that promote the brand/image with key stakeholders/customers/suppliers/government/service providers.
- Compliance with recent legislation, e.g., BEE compliant.

Contribution of the Administration Function to the success of a business/quality indicators

- Fast and reliable data capturing and processing systems.
- Make reliable information available to management on time.
- Make relevant information available for quick decision-making.
- Handle complaints quickly and effectively.
- Use modern technology efficiently
- Implement effective risk management policies to minimise business losses.

- Quality assurance/Control/Evaluation is recorded accurately.
- 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.
- All systems and processes are documented.

Contribution of the human resources function to the success of a business/quality indicators

- Makes sure there is a good recruitment policy that attracts best candidates.
- Ensures fair and equitable selection process.
- Fair remuneration packages that are aligned to the industry.
- Offer performance incentives for staff to enhance productivity.
- Good relationship with employees.
- Low rate of staff turnover in the business.

NOTE: You will either be asked to explain/discuss how quality of performance can contribute to success or failure of each business functions or explain/suggest the quality indicators of business functions.

TOTAL QUALITY MANAGEMENT (TQM)

Meaning of total quality management (TQM)

- TQM is an integrated system/methodology applied throughout the organisation, which helps to design/produce/provide quality products/services to customers.
- It is a thought revolution in management, where the entire business is operated with customer orientation in all business activities.
- TQM enables businesses to continuously improve on the delivery of products/ services in order to satisfy the needs of customers.
- Management ensures that each employee is responsible for the quality of his/her work/actions.
- TQM focuses on achieving customer satisfaction and looks for continuous improvement in all the business's processes, products and services.
- TQM takes steps to ensure the full involvement and co-operation of all employees in improving quality.

TQM elements

- Continuous improvement to processes and systems
- Continuous skills development/ Education and training
- Total client/customer satisfaction
- Adequate financing and capacity
- Monitoring and evaluation of quality processes

NOTE: The meaning of the above TQM elements is on page 8 of this document.

Impact of Total Quality Management elements on large business

Impact of Continuous Improvement to Processes and Systems on large businesses

Positives/Advantages

- Large businesses have more resources to check on quality performance in each unit.

- Enough capital resources are available for new equipment required for processes and systems.
- Large businesses have a person dedicated to the improvement of processes and systems.
- Willing to take risk on/try new processes and systems because they are able to absorb the impact of losing money.
- They can afford to use the services of the quality circles to stay ahead of their competitors.

AND/OR

Negatives/Disadvantages

- Large scale manufacturing can complicate quality control.
- 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 actually 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.

Application of the PDCA model/cycle in improving the quality of products

Plan

- The business should identify the problem.
- Develop a plan for improvement to processes and systems.
- Answer questions such as 'what to do' and 'how to do it'.
- Plan the method and approach.

Do

- The business should implement the change on a small scale.
- Implement the processes and systems

Check/Analyse

- Use data to analyse the results of change.
- Determine whether it made a difference.
- Check whether the processes are working effectively.
- The business should assess, plan and establish if it is working/if things are going according to plan

Act as needed

- Institutionalise the improvement.
- Devise strategies on how to continually improve.
- If the change was successful, implement it on a wider scale.
- Continuously revise the process.

NOTE: The PDCA model forms part of the TQM element continuous improvement to processes and systems

When discussing the “*impact*” DO NOT include PDCA model. Only explain/discuss the application of PDCA model when required.

Impact of Continuous Skills Development/Education and Training on large businesses

Positives/Advantages

- Large businesses have a human resources department dedicated to skills training and development.
- Human resources experts ensure that training programmes are relevant to increased customer satisfaction.
- Ability to afford specialised/skilled employees.
- Large businesses could conduct skills audits to establish the competency/education levels of staff performing work which could affect the quality of products/processes positively.
- May be able to hire qualified trainers to train employees on a regular basis.

AND/OR

Negatives/Disadvantages

- Poor communication systems in large businesses may prevent effective training from taking place.
- Trained employees may leave for better jobs after they gained more skills.
- De-motivates employees, if they do not receive recognition for training.
- Employees who specialise in narrowly defined jobs may become frustrated/ demotivated.
- Employees may not be aware of the level of competency they should meet in order to achieve their targets.
- It may be difficult to monitor/evaluate the effectiveness of training.

Impact of Total Client/Customer Satisfaction on large businesses

Positives/Advantages

- Large businesses use market research/customer surveys to measure/ monitor customer satisfaction/analyse customers' needs.
- Continuously promote a positive company image.
- May achieve a state of total customer satisfaction, if businesses follow sound business practices that incorporate all stakeholders.
- Strive to understand and fulfil customer expectations by aligning cross-functional teams across critical processes.
- Ensures that cross-functional teams understand its core competencies and develop/strengthen it.
- 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.
- May lead to increased competitiveness/profitability.

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.
- Monopolistic companies have an increased bargaining power, so they do not necessarily have to please customers.
- Not all employees may be involved/ committed to total client satisfaction.

Impact of Adequate Financing and Capacity on large businesses

Positives/ Advantages

- Large businesses have sufficient financing to test everything before implementing.
- 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.

AND/OR

Negatives/ Disadvantages

- If the demand for company's product 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.
- These rapidly growing companies can consume large amounts of capital as they try to balance normal operations and expansion.

Impact of monitoring and evaluating quality processes on large businesses

Positives/ Advantages

- Prevents product defects and minimises wastage/customer complaints.
- Good quality checks/procedures minimise the replacement/breakdown of equipment/machinery on a regular basis.
- May be equipped to get things done right the first time.
- Improve performance and maintain high quality standards.
- Improve current and future management of quality outputs/outcomes/impact.
- Provide clear indication about quality aspects that are contributing to the achievement of goals/targets.
- Modify interventions that may improve the efficient use of resources.
- Support management to acquire information needed to make informed decision about processes.
- Cost of production is reduced as deviations from set standards can be corrected.
- Strategies are revised in order to improve the quality of the product and services/business image.
- Allows for quality control checks and procedures at key points.
- Key performance indicators are carefully selected to monitor and evaluate the outcome.
- Benchmarking is used to find best practices in order to determine the competitive position of the business.

- Quality circles meet on regular basis to evaluate the progress in terms of quality.
- Continuous research is conducted on latest developments to ensure that TQM planning is up to date.

AND/OR

Negatives/Disadvantages

- Large businesses are often divided, and the departments work in silos.
- It is difficult to get everyone to communicate.
- It often takes longer to detect problems or respond to weaknesses.
- It is not viable to check quality of all the products.

Role/Importance of quality circles as part of continuous improvement to processes and systems

- Solve problems related to quality and implement improvements.
- Investigate problems and suggest solutions to management.
- 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 cost and redundancy and wasteful efforts in long run
- Increase employees' morale/motivation.
- Quality circles discuss ways of improving the quality of work/workmanship.
- Contribute towards the improvement and development of the organisation.
- Increase the demand for products/services of the business.
- Create harmony and high performance in the workplace.
- Build a healthy workplace relationship between the employer and employee.
- Improve employees' loyalty and commitment to the organisation and its goals.
- Improve employees' communication at all levels of the business.
- Develop a positive attitude/sense of involvement in decision making processes of the services offered.

Impact of TQM if poorly implemented by businesses.

- Setting unrealistic deadlines that may not be achieved.
- Employees may not be adequately trained resulting in poor quality products.
- Decline in productivity, because of stoppages.
- Businesses may not be able to make necessary changes of products/services to satisfy the needs of customers.
- Business reputation/image may suffer because of poor quality/defective goods.
- Customers will have many alternatives to choose from and the impact could be devastating to businesses.
- Investors might withdraw investment, if there is a decline in profits.
- Decline in sales as more goods are returned by unhappy customers.
- High staff turnover, because of poor skills development.

- Undocumented/Uncontrolled quality control systems/processes could result in errors/deviations from present quality standards.

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 on expensive, but ineffective inspection procedures in the production process.
- Implement pro-active maintenance programmes for equipment/machinery to reduce/eliminate breakdowns.

BUSINESS VENTURES

PAPER 2

TOPIC 8: MANAGEMENT AND LEADERSHIP

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

MANAGEMENT AND LEADERSHIP

- Define/Elaborate on the meaning of management and leadership.
- Differentiate/Distinguish between management and leadership.

LEADERSHIP STYLES

- 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.
- Discuss/Evaluate/Analyse the impact (including positives/advantages and/or negatives/disadvantages) of each leadership style.
- Suggest/Recommend situations in which each leadership style can be applied in the workplace.

LEADERSHIP THEORIES

- Discuss/Explain the following theories of management and leadership:
 - Leaders and followers
 - Situational leadership
 - Transformational/Transitional leadership
- Identify the above-stated 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.

TERMS AND DEFINITIONS

TERM	DEFINITION
Leadership	The ability of an individual or a group of individuals to influence and guide followers or other members of an organization
Management	Planning, organising, leading and controlling employees to achieve goals.
Democratic leadership style	The leader invites the team members/group to contribute ideas and participate in the decision-making process.
Autocratic leadership style	The leader takes decisions on his/her own without consulting staff.
Laissez fair/Free reign leadership style	The leader delegates tasks to followers with little or no direction given.
Charismatic leadership style	The leader uses charm to influence followers.
Transactional leadership style	The leader focuses on motivating followers through a system of reward and punishment.
Bureaucratic leadership style	Leaders/managers make sure employees follow rules and policies.
Leaders and followers theory	Focus on relationship between leader and follower.
Situational leadership theory	Focus on the application of different leadership styles depending on the situation and the maturity level of employees.
Transformational leadership theory	The leader identifies the change needed/creates a vision to guide the change through inspiration.
Personal attitude	The manner in which the leader relates to his/her employees determines the success or failure of a business.

Meaning of management and leadership

Meaning of Management

- The coordination of Planning, organising, leading and controlling employees to achieve goals.
- A person becomes a manager because of the position in which he/she is appointed.
- Managers have power because of the position of authority into which they are appointed.

Meaning of Leadership

- The ability of an individual or a group of individuals to influence and guide followers or other members of an organization.

- Leadership is an of inspiring subordinates to perform in order to achieve goals.
- It cannot be taught, although it may be learned as it is an inborn trait.
- Involves establishing a clear vision and sharing it with others so that they can willingly follow.
- A leader steps up in times of crisis and is able to think and act creatively in difficult situations.

Differences between leadership and management

LEADERSHIP	MANAGEMENT
Influences human behaviour.	Guides human behaviour.
Communicates by means of interaction/behaviour/vision/values/ charisma.	Communicates through management functions, e.g. line function.
Innovates/Encourages new ideas to increase productivity.	Administers plans/programs/tasks to reach targets.
Inspires staff to trust and support each another.	Controls systems and procedures to get the job done.
Focuses on what and why.	Focuses on how and when.
Focuses on the horizon/long term.	Focuses on the bottom line/short/ medium/long term.
Leaders are born with natural/ instinctive leadership skills.	A person becomes a manager because of the position in which he/she is appointed.
Guides/Leads people to become active participants.	Manages the process of getting things done by exercising responsibility.

Leaders have power/influence because of his/her knowledge/skills/ intelligence.	Managers have power because of the position of authority into which they are appointed.
Always trying to find more efficient ways of completing tasks.	Enforce rules on subordinates/Ensure that tasks are completed.
Motivational/Inspirational in their approach	Instructional in their approach.
People orientated.	Task orientated.
Lead by example/trust/respect.	Manage by planning/organising/ leading/control.
Does the right things	Does things right

Leadership styles

- Democratic//Participative/Consultative
- Autocratic
- Laissez-Faire/Free Reign
- Charismatic
- Transactional

NOTE: The explanation of EACH leadership style is embedded in the advantages of each style below.

Situations in which each leadership style can be applied in the workplace and the impact of each leadership style on businesses

Democratic leadership/Participative/Consultative leadership style

This leadership style can be applied when:

- Group members are skilled and eager to share their ideas.

- The leader does not have all the information needed to make a decision and employees have valuable information to contribute.
- Cooperation is needed between a leader and a team.
- Decisions need to be looked at from several perspectives.
- Small dynamic companies rely on innovative and creative ideas.

Impact of the Democratic leadership/Participative/Consultative leadership style on businesses

Positives/Advantages

- The leader allows the employees to participate in the decision-making process, so they feel empowered/positive.
- Staff gives a variety of ideas/inputs/feedback/viewpoints that can lead to innovation/improved production methods/increased sales.
- Clear/Two-way communication ensures group commitment to final decision(s).
- Authority is delegated which can motivate/inspire workers to be more productive.
- Complex decisions can be made with inputs from specialists/skilled workers.

AND/OR

Negatives/Disadvantages

- Incorrect decisions may be made if staff is inexperienced/not fully informed.
- Decision making may be time consuming because stakeholders have to be consulted.
- Employees may feel discouraged if their opinions/inputs are not considered.
- Leaders can rely too much on the input of the followers and fail to make a final decision.
- Not effective in times of crisis/when quick decisions need to be made.
- Some employees only pretend to participate in decision making and their feedback may not always be accurate.

Autocratic Leadership style

This leadership style can be applied when:

- In crisis situations, e.g., in the case of unforeseen challenges/accidents.
- When all the information is available to solve the problem.
- In a crisis/urgent situation, e.g., after an accident/meeting tight deadline.
- When employees are motivated, and the leader has already earned the trust of the followers.
- When dealing with employees who are not cooperative.
- When employees are new/not fully trained.

Impact of the Autocratic Leadership style on businesses

Positives/Advantages

- Quick decisions can be taken without consulting/considering followers/ employees.
- Work gets done in time/on schedule.
- Line of command/communication is clear as it is top-down/followers know exactly what to do.
- Direct supervision and strict control ensure high quality products/service.

- Provides strong leadership which makes new employees feel confident and safe.
- Works well in large companies where consultation with every employee is impractical.
- Clear guidance can be given to low-skilled/inexperienced/new staff.

AND/OR

Negatives/Disadvantages

- Leaders and followers may become divided and may not agree on ways to solve problems.
- Workers can become demotivated if their opinions/ideas are not considered.
- De-motivated workers impact negatively on productivity.
- New/Creative/Cost reducing ideas may not be used/implemented/never be considered.
- Followers may feel that they are not valued resulting in high absenteeism/high employee turnover.
- Experienced/Highly skilled workers will resist an autocratic leadership style because it results in slow growth/low participation/less creativity.

Differences between the Democratic and Autocratic leadership styles

DEMOCRATIC/PARTICIPATIVE/CONSULTATIVE	AUTOCRATIC
● The leader involves employees in the decision-making process.	● A leader takes all decisions alone without involving employees.
● Clear/Two-way communication ensures group commitment to final decision(s).	● Line of command/communication is clear as it is top-down/followers know exactly what to do.
● People-oriented, as employee's feelings and opinions are considered.	● Task-orientated as the opinions of employees are not considered.
● Workers feel empowered as they are involved in the decision-making process.	● New employees feel confident/safe as strong leadership is provided.
● Useful when the leader depends on the inputs of experienced followers.	● Useful in a crisis/urgent situation, e.g., after an accident/meeting tight deadline.
● Handles conflict situations by involving followers in finding the best solution.	● Handles conflict situations by telling followers what they should do.

Laissez-faire/ Free reign

This leadership style can be used when:

- Subordinates are experts and know what they want/can take responsibility for their actions.
- The leader is very busy, and delegation of tasks will increase productivity.
- Team members need to improve/develop leadership skills.
- Suitable when employees are highly experienced and know more about the task than the leader.

Impact of the Laissez-Faire Leadership style on businesses

Positives/ Advantages

- Workers/Followers are allowed to make decisions on their own work/ methods.
- Subordinates have maximum freedom and can work independently.

- Leader motivates workers by trusting them to do things themselves/on their own.
- Authority is delegated, which can be motivating/empowering to competent workers/increase productivity.
- Subordinates are experts and know what they want/can take responsibility for their actions.
- Suitable for coaching/mentoring to motivate employees to achieve more/better things.
- It can be empowering for competent followers as they are completely trusted to do their job.
- Individual team members may improve/develop leadership skills.

AND/OR

Negatives/ Disadvantages

- Lack of clear direction/leadership may be demotivating to employees.
- Employees can be held responsible for their own work which may lead to underperformance.
- Could lead to conflict when some team members act as leaders and dictate to other team members.
- Workers are expected to solve their own conflict situations.
- Productivity may be compromised with a lack of tight control over workers not meeting deadlines.
- Productivity might be low, if employees lack the necessary knowledge or skills.

Charismatic leadership style

This leadership style can be used to:

- Sell vision and achieve excellent results.
- Motivate employees as the leader is energetic/ inspiring.
- Inspire loyalty/hard work among employees.

Impact of Charismatic leadership styles on businesses

Positives/Advantages

- Expert at selling vision and achieve excellent results.
- Employees are motivated as the leader is energetic/ inspiring.
- Inspires loyalty/hard work among employees.

AND/OR

Negatives/Disadvantages

- Leader believes more in him/her than the team.
- Projects can collapse if the leader leaves the team.
- Leaders are intolerant of challenges and regard themselves as irreplaceable.

Transactional leadership style

This leadership style can be applied when:

- When the business wants to maximise employee performance.
- When deadlines have to be met on short notice/under pressure.
- When workers have a low morale.

- When the strategies/business structures do not have to change.
- When productivity levels are very low/not according to targets.

Impact of the Transactional leadership style on businesses

Positives/Advantages

- Encourages employees to work hard because they will receive rewards.
- Improves employees' productivity and morale.
- The goals and objectives of the business can be achieved as workers are motivated.
- Employees know what are expected of them.
- Disciplinary action procedures are well communicated.

AND/OR

Negatives/Disadvantages

- Employees may become bored/lose creativity as they have to follow rules/ procedures.
- A transactional leader will have to monitor the work performance of employees to ensure that expectations are met.
- Managing/controlling employees may be time-consuming.
- Some employees may be demoralised/ unmotivated if they fail to reach/meet targets despite having worked very hard.
- Not suitable for teamwork as all team members can be punished for poor performance caused by one team member.

NOTE: You must be able to identify the above-mentioned leadership styles from given scenarios/case studies

Leadership theories

- Situational leadership
- Transformational leadership
- Leaders and followers
- Transitional leadership

Situational leadership theory

- Different leadership characteristics are needed for different situations.
- The task/situation dictates the leadership style that should be applied, so leaders are adaptable/flexible/self-assured.
- Effective application of this theory may enable leaders to accomplish their goals.
- Relationships between leaders and employees are based on mutual trust/ respect/loyalty/integrity/honesty.
- Leaders have the ability to analyse the situation/get the most suitable people in the right positions to complete tasks successfully.
- Leaders analyse group members/objectives/time constraints, to adopt a suitable/relevant leadership style.
- May lead to conflict when leaders use different leadership styles/when managing employees in different situations.
- The success of this theory depends on the kind of relationship that exists between the leader and followers/subordinates/employees.

Transformational theory

- Suitable for a dynamic environment, where change could be drastic.
- The passion/vision/personality of leaders inspire followers to change their expectations/perceptions/motivation to work towards a common goal.
- Strategic thinking leaders develop a long-term vision for the organisation and sell it to subordinates/employees.
- Leaders have the trust/respect/admiration of their followers/subordinates.
- Promotes intellectual stimulation/creative thinking/problem solving which result in the growth/development/success of the business.
- Followers are coached/led/mentored/emotionally supported through transformation/change so that they can share their ideas freely.
- Encourages followers to explore/try new things/opportunities.
- Leaders lead by example and make workers interested in their work.
- Leaders have strong, charismatic personalities and are very good at motivating staff to achieve results.
- Enable employees to take greater ownership for their work and to know their strengths and weaknesses.

NOTE: The transitional theory has been left on purpose as it is covered by the transformational theory, as both speak to change.

Leaders and followers

- Teams achieve great results when there is a sense of understanding between the leader and the team of followers.
- Followers listen to what is expected of them and are willing to work as a team.
- Followers easily accept responsibility when something doesn't work out.
- Leaders lead by example and reward positive behaviour.
- Leaders motivate employees to devise alternative strategies to find more efficient ways to use available resources.
- Followers might just trail along depending on leaders and other followers to pull them through the task.

The role of personal attitude 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.
- Successful employees and leaders have a constant desire to work and achieve personal/professional success.
- Leaders with a positive attitude know that there is always more to learn/space to grow.

NOTE: You must be able to identify the role of personal attitude in successful leadership from given scenarios/case studies.

BUSINESS VENTURES

PAPER 2

TOPIC 9: INVESTMENT: SECURITIES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Outline/Explain/Discuss the functions of the JSE.
- Outline/State/Describe/Explain/Discuss the following factors that should be considered when making investment decisions:
 - Return of investment (ROI)
 - Risk
 - Investment term/period
 - Inflation rate
 - Taxation
 - Liquidity
- Explain/Discuss the various types of investment opportunities and their risk factors:
 - Mutual funds/Stokvel
 - Managed portfolio
 - Venture capital
 - 32-day notice account
 - Debentures
 - Endowment/Retirement annuities
- 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 deposit
- Identify the following types of shares from given scenarios/statements:
 - Ordinary shares
 - Preference shares
 - Bonus shares

- Founders shares
- 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 gain, 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 the calculations

TERMS AND DEFINITIONS

TERM	DEFINITION
Investment	Investing/Saving money in order to yield better returns.
JSE/Johannesburg Security Exchange	Is a formal market, trading in shares, comprising of all the public companies that have been listed.
Share	It gives investors the opportunity to obtain a part ownership of a company.
Capital Market / securities market	It is the market for securities/shares where companies and the government can raise long-term funds.
Short term investment	An investment for a period shorter than one year.
Long term investment	An investment for a period for longer than one year.
Fixed rate	The rate of return stays the same for the period of time.
Accumulated	Interest earned over the investment period.
Simple interest	Calculated on the original/principal amount invested.
Compound interest	Calculated each period on the original/principal amount including all interest accumulated during past periods.
Risk	Refers to the chance that the invested amount may reduce in value/lost in total over a period of time, due to unforeseen circumstances.

Functions of the Johannesburg Securities Exchange (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.

- Venture capital market is made available on the open market.
- Orderly market for securities serves as a disciplined market for securities.
- Mobilises the funds of insurance companies and other institutions.
- Regulates the market for dealing with shares.
- Plans, researches and advises on investment possibilities.
- Ensures that the market operates in a transparent manner.
- Provides protection for investors.
- Encourages short-term investment.
- Facilitates electronic trading of shares/STRATE.
- Raises primary capital by encouraging new investments in listed companies

Factors that should be considered when making investment decisions

- Return of investment (ROI)
- Risk
- Investment term/period
- Inflation rate
- Taxation
- Liquidity

Explanation of investment decisions

Return on Investment

- Refers to income from the investment, namely interest/dividends/increased capital growth on the original amount invested.
- High risk investments yield higher returns.
- Generally, there will be a direct link between risk and return.
- Returns can be in the form of capital gains where the asset appreciates in value over time.

Risk

- Shares have low/medium risk over a longer investment period.
- Shares with higher risks have a greater potential for higher returns.
- Ordinary shares have the highest risk as the investor may lose the full/part of the investment when the company is dissolved/bankrupt/liquidated.
- Refers to the chance that the invested amount may reduce in value/lost in total over a period of time, due to unforeseen circumstances.
- Preference shareholders' risk is lower, as they have preferential claims on the assets of the liquidated company/may receive some compensation before ordinary shareholders.
- Share prices are linked to factors that investors cannot control, e.g. economic conditions/operational success of the company, etc.
- Share prices are volatile/unstable/unpredictable/may increase/ decrease sharply within hours which contribute to the uncertainty of the value of an investment in shares on the short term.

Investment period

- This refers to the duration of the investment which may influence the return on investment.
- The longer the investment period the higher the returns.
- The investment period will depend on an investor's personal needs.
- Short term investments enable investors to access their money on a short period if needed.
- The investment period can be short, medium and/or long-term depending on the investors' needs.

Inflation rate

- People are affected by a high inflation rate, because their money/purchasing power decreases.
- The return on investment should be higher than the inflation rate.
- Inflation has a positive effect on some investments such as property/shares where the income will increase as inflation increases.

Liquidity

- An amount could be invested in a type of investment that can easily be converted to cash.
- It is used to describe the ease and speed with which investors can convert an investment into cash.
- Example: an investment in a savings account/unit trust will be easier to convert into cash than an investment in a fixed deposit which is usually deposited for a fixed period of time.

Taxation

- A good investment will yield good after-tax returns.
- Income tax implications must be considered in order to ensure a high net after-tax return.
- Tax rates are not necessarily the same for different investments.

Types of investments opportunities and risk factors

Fixed Property

- Buying a house/piece of land is usually suitable as a long-term investment only.
- Large fees/taxes are payable on these transactions, so property cannot be bought/sold every year.
- Return on property is earned in the form of rental/sales/capital gains at a higher price than what it was bought for (including the transfer costs and taxes).
- The location/size of the property may also influence the growth in value over time.

Risk

- Low risk over a long term.
- Risk may be determined by economic conditions and may influence the value of property.

Mutual funds/Stokvels

- It is an informal savings scheme to which a relatively small group of people contribute.
- Each member takes a turn to draw from the scheme/fund/stokvels for their own personal gain.
- No/Small return on investment, as contributions are distributed monthly to one of the members.
- It encourages people to save each month for a specific reason.
- Banking fees are shared by the members, resulting in low cost of investment per member.
- In times when it is hard to get bank loans, stokvel pay-outs may come in handy.
- A stokvel is usually managed by a trustworthy chairman/treasurer, who will be responsible for keeping records and managing the bank account.
- Members usually discuss how the money will be invested and agree on the risks they are willing to take.

Risk

- Schemers who claim to be running stokvels may actually be running illegal pyramid schemes and pay-outs may not be possible as cash has run out/members may lose their savings.
- Money in a savings account is a safe investment, but with low interest rates/the returns are low.

Managed portfolio

- An investor instructs a financial institution/bank/financial advisor to manage his/her various investments/assets in one portfolio.
- If the portfolio does not perform well/as expected, the portfolio/parts thereof may be changed with/without informing the investor.

Risk

- Risk is lower over a longer term/period.
- Investments are made in various sectors/companies, therefore the risk is spread and better managed by the portfolio manager.
- Money is usually invested in the capital market and unforeseen circumstances may impact negatively on the value of the portfolio on the short term/High risk over the short term.

32-day notice accounts/Call Deposits

- Money is invested at a fixed rate, although withdrawals may be made provided the bank is given 32 days' notice of the withdrawal.
- It earns more interest than a current/cheque/savings account, but less interest than a fixed deposit.

Risk

- Low risk, as investment plus interest will be paid out on the maturity date of investment.

- Interest is calculated on the daily balance, accelerating the value/return on the investment/lowering the risk.
- Interest rate may fluctuate with market conditions, increasing the risk.

Business Ventures/Venture capital

- Venture capital is given by an investor/business to start up/expand a business in return to have a share in the new/expanded business.
- Investor(s) should know the type of business/market/economic conditions before a business is bought/started.
- Buying a franchise/existing business will be successful, if the investors has done proper research/understand exactly what he/she is investing in.

Risk

- High risk for the investor(s), if research is not properly done.
- Inexperienced business owners that make wrong business decisions may experience big losses/closing down of an existing business.

Endowment/Life insurance policies/Retirement Annuities

- A monthly payment is paid to an insurance company with the expectancy of receiving a pre-determined amount on a date in the future.
- To provide for a future expenses/give peace of mind to the dependants of the insured.

Risk

- Low risk, as the insured amount will be paid out regardless of circumstances.
- Only the closing down/bankruptcy of the insurance company may result in losing the monthly contributions made up to the close down date.

Forms of investments

- Government/RSA retail savings bonds
- Unit trusts
- Shares
- Fixed deposit

Impact of FOUR forms of investments

Impact of RSA Retail Savings Bonds/Government Retail Bonds

Positives/Advantages

- Guaranteed returns, as interest rate is fixed for the whole investment period.
- Interest rates are market related and attract more investors.
- Interest can be received twice a year.
- Interest is usually higher than on fixed deposits.
- Retail bonds are listed on the capital bond markets/on the JSE.
- Low risk/Safe investment, as it is invested with the South African Government which cannot be liquidated.
- No charges/costs/commissions payable on this type of investment.
- Investment may be easily accessible, as cash may be withdrawn after the first twelve months.

- It is an affordable type of investment for all levels of income earners including pensioners.
- Retail bonds are easily/conveniently obtained electronically/from any Post Office/directly from National Treasury.
- Investors younger than 18 years/Minors may invest with the help of a legal guardian, which encourages saving from a young age.

AND/OR

Negatives/Disadvantages

- Retail bonds cannot be ceded to banks as security for obtaining loans.
- A minimum of R1 000 must be invested, which may be difficult for some small investors to accumulate.
- Retail bonds are not freely transferable amongst investors.
- Investors need to have valid SA identification/should be older than 18 years which may discourage foreigners/young people to invest.
- Penalties are charged for early withdrawals, if the savings is less than 12 months old.

Impact of Unit Trusts

Positives/Advantages

- Managed by a fund manager who buys shares on the stock exchange/JSE.
- Easy to cash in when an investor needs money.
- A small amount can be invested per month.
- Generally, beats inflation on the medium/long term.
- Safe investments, as it is managed according to rules and regulations.
- The investor has a variety to choose from/a wider range of shares from lower to higher degrees of risk.
- Easy to invest in, as investors simply complete a few relevant forms or invest online.
- Fluctuations in unit trust rates of return are often not so severe because of diversity of the investment fund.
- Offer competitive returns in the form of capital growth and dividend distribution.
- Fund managers are knowledgeable/experts/reliable/trustworthy as they are required to be accredited to sell unit trusts.
- Lowers the potential risk, allows more people to invest in the fund.

AND/OR

Negatives/Disadvantages

- Share price may fluctuate
- Unit Trusts are not allowed to borrow, therefore reducing potential returns.
- Not good for people who want to invest for a short period
- Not good for people who want to avoid risks at all costs.
- If blue chip companies do not continue on their growth path, the growth of unit trusts will also be affected and will not render the expected returns.
- Bid/Ask prices exist with the price that you can buy a unit for usually higher than the price you can sell it for - making investment less liquid.

Impact of Shares/Ordinary Shares

Positives/Advantages

- Can be freely transferred/traded on the JSE.
- Shareholders' liability to the debt of the company is limited to what was invested/Shareholders have limited liability for company debts.
- Shareholders have voting rights at the annual general meeting (AGM).
- Investing in shares provides protection against inflation.
- Investing in shares can provide solid returns at retirement age.
- Rate of return on investment (ROI) is linked to the performance of the company.
- Ordinary shares are usually cheaper than preference shares on the open market.
- Holding a higher number of shares may result in higher proportional dividend pay-outs.

AND/OR

Negatives/Disadvantages

- Shareholders may receive less dividends/no dividends when company profits are low.
- Companies have no legal obligation to pay dividends to shareholders.
- Risk may be high, as investment may be lost when companies are liquidated.
- Dividends declared may be determined by the management/directors of the company/business.

Impact of fixed deposits

Positives/Advantages

- Interest is earned at a fixed rate regardless of changes in the economic climate.
- The period of investment can be over a short/medium/long term.
- Investors can choose the investment period that suits them.
- Principal amount plus interest earned is paid out on the maturity date.
- Ensures financial discipline as investors cannot withdraw their funds before the maturity date.
- Investors earn a better return on investment than on an ordinary savings account.
- The higher the principal amount/the longer the investment period, the higher the interest rate offered by a financial institution.

AND/OR

Negatives/Disadvantages

- The investor cannot withdraw their funds before the maturity date.
- Low returns compared to other investments.
- May not outperform the effect of inflation over long term.
- Penalties may be charged for early withdrawal.

TYPES OF SHARES

Ordinary shares

- Ordinary shares only receive dividends when profit is made.
- Normally the higher the net profit, the higher the dividend.
- Shareholders are the last to be paid, if the company is declared bankrupt liquidated.
- Dividends vary from year to year according to profits made and are determined by the company/board of directors.
- Shareholders have a right to vote at the Annual General Meeting/AGM.

Rights of ordinary shareholders

Shareholders have a right to:

- vote at the Annual General Meeting.
- attend the Annual General Meeting to learn about the company's performance.
- receive interim and annual reports.
- claim on company assets in the event of bankruptcy after all other creditors and preferential shareholders have been paid.

Preference shares

- Some of these types of shares receive dividends regardless of whether a profit is made.
- A fixed rate of return is paid on this type of shares.
- Shareholders have a preferred claim on company assets in the event of bankruptcy/liquidation.
- These shares enjoy preferential rights to dividends/repayment over ordinary shares.
- Dividends are payable according to the type of preference share.
- Voting rights are restricted to particular circumstances/resolutions.
- Non-cumulative preference shareholders will not receive any outstanding dividends from previous years.
- Cumulative preference shareholders will receive outstanding dividends from previous years.
- Redeemable preference shares can be redeemed/bought back at the option of the issuing company on a pre-determined future date.
- Non-redeemable preference shares are only bought back when the company closes down for reasons other than bankruptcy.
- Convertible preference shares are converted to ordinary shares after a fixed period/on the date specified when the preference shares were issued.
- Non-convertible preference shares will not be converted into ordinary shares.

Rights of preference shareholders

Shareholders have right to:

- Receive dividends regardless of how much profits are made.
- Receive a fixed rate of return/dividend.
- They are paid first/enjoy preferential rights to dividends.
- They have a preferred claim on company assets in the event of bankruptcy/ liquidation of the company.
- Receive interim and annual reports.
- They only have voting rights at the AGM under particular circumstances/for certain resolutions.

- Cumulative shareholders must receive outstanding/accrued dividends from previous years.
- Participating preference shareholders have the right to share in surplus profits.

NOTE: you must know the rights of ordinary and preference shares.

Founders' shares

- Issued to the founders and incorporators/promoters of the company.
- They receive dividends after all other shareholders were paid.

Bonus shares

- Payment in the form of shares to shareholders.
- Issued as compensation for unpaid dividends.
- Shareholders will own more shares and collect more dividends in the future.
- Shareholders receive these shares without being required to pay for them.

NOTE: You must be able to identify the above-mentioned types of shares from given scenarios/statement.

Types of preference shares

a) Participating preference shares	b) Non-participating preference shares
Shareholders: <ul style="list-style-type: none">• are guaranteed minimum fixed dividends.• are entitled to share in any surplus company profits.• receive higher dividends when the company performs well.• have preferential rights over ordinary shares on repayment when the company closes down.	Shareholders: <ul style="list-style-type: none">• receive an amount equal to the initial investment plus accrued and unpaid dividends upon liquidation.• do not have right to participate in profits after equity shareholders have been paid a dividend.• will not get extra dividend in case of surplus profits.• entitled to receive only a fixed rate of dividend every year.
c) Cumulative preference shares	d) Non-cumulative preference shares
<ul style="list-style-type: none">• Shareholders are compensated for past dividends that were not paid out when profits were too low to declare dividends/Receive dividends not previously paid out.	<ul style="list-style-type: none">• Shareholders are not compensated for past dividends that were not paid out when profits were low.
e) Redeemable preference shares	f) Non-redeemable preference shares
<ul style="list-style-type: none">• Shares can be redeemed/ bought back at the option of the issuing company, at a fixed price on a specified date/over a certain period of time.	<ul style="list-style-type: none">• Shares are only bought back when the company closes down for reasons other than bankruptcy.

g) Convertible preference shares	h) Non-convertible preference shares
<ul style="list-style-type: none"> Shares can be converted into a predetermined number of ordinary shares on the date specified when the preference shares were issued. 	<ul style="list-style-type: none"> Shares cannot be converted into ordinary shares.

NOTE: You must be able to identify the above-mentioned types of preference shares from given scenarios/statements.

Differences between ordinary and preference shares

ORDINARY SHARES	PREFERENCE SHARES
<ul style="list-style-type: none"> Ordinary shares only receive dividends when profit is made. 	<ul style="list-style-type: none"> Some of these types of shares receive dividends regardless of profit made.
<ul style="list-style-type: none"> Normally the higher the profit, the higher the dividend. 	<ul style="list-style-type: none"> A fixed rate of return is paid on this type of shares
<ul style="list-style-type: none"> Shareholders are the last to be paid, if the company is declared bankrupt/liquidated. 	<ul style="list-style-type: none"> Shareholders have a preferred claim on company assets in the event of bankruptcy/liquidation.
<ul style="list-style-type: none"> Ordinary shares are standard shares with no special rights or restriction. 	<ul style="list-style-type: none"> These shares enjoy preferential rights to dividends/repayment over ordinary shares.
<ul style="list-style-type: none"> Dividends vary from year to year according to profits made as determined by the company. 	<ul style="list-style-type: none"> Dividends are payable according to the type of preference share. Non-cumulative preference shareholders will not receive any outstanding dividends from previous years. Cumulative shareholders will receive outstanding dividends from previous years.
<ul style="list-style-type: none"> Shareholders have a right to vote at the Annual General Meeting. 	<ul style="list-style-type: none"> Voting rights are restricted to particular circumstances/resolutions.

Investments concepts

- Debentures
- Dividends
- Capital gain
- Simple interest
- Compound interest.

Description of investment concepts

Debentures

- It is 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/number of debentures held.

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.

Capital gain

- The return on property/fixed assets/investments.
- Capital gains tax is payable when you sell an asset that has increased in value since you bought it.

Simple interest

- The interest is calculated on the original/principal amount invested.
- The principal amount remains the same over the entire period of investment.
- The interest is kept separate unless it is reinvested.
- Yields less return on investment.

Compound interest

- Interest is calculated in every period on original/principal amount plus interest.
- Interest is added to the original/principal amount and interest is earned on interest for each defined period.
- As interest is added to the investment, the capital increases.

Distinction between compound and simple interest

COMPOUND INTEREST	SIMPLE INTEREST
Interest earned on original amount invested, as well as interest earned in previous period(s).	Interest earned on the original amount and not on the interest accrued.
The principal amount grows with the addition of interest to it.	The principal amount remains the same over the entire period of investment.
Interest is calculated on the higher principal amount and again added to it.	The interest is kept separate unless it is reinvested.
Yields high return on investment.	Yields less return on investment.
Total amount of interest earned on investment is high.	Total amount of interest earned on investment is less.

Examples of how to calculate the simple and compound interest

Patric wants to invest R30 000 in a fixed deposit for two years. He approached two banks. Saints Bank offered her 12% simple interest per annum and Caprica Bank 12% compounded interest per annum.

- Calculate the interest amount Patric will receive after two years if she invests with Saints Bank.
- Calculate the interest amount Patric will receive after two years if she invests with Caprica Bank.
- Recommend the best investment option for Patric. Motivate your answer.

Calculation of simple interest of the above scenario

FORMULA: Interest = $P \times R \times T$

$$\begin{aligned} &= R30\,000 \times \frac{12}{100} \times 2 \text{ years} \\ &= R7\,200 \end{aligned}$$

Calculation of Compound interest of the above scenario

Option 1

$$\text{Year 1: } R30\,000 \times \frac{12}{100} = R3600$$

$$\text{Year 2: } R33\,600 \times \frac{12}{100} = R4032$$

$$\text{Total interest} = R7632$$

OR

Option 2

FORMULA: $P \times (1 + r)^n$

$$R30\,000 \times \left(1 + \frac{12}{100}\right)^2$$

$$R30\,000 \times (1.12)^2$$

$$R37\,632$$

$$\text{Total Interest} = R37\,632 - R30\,000 = R7632$$

Recommendation on the best investment option based on the calculations

- Compound interest is the best option based on the calculations above.

Motivation

- Compound interest yields a higher interest of R7 632 than the simple interest/ Patric earns interest on interest accrued.

BUSINESS VENTURES

PAPER2

TOPIC 10: INVESTMENT: INSURANCE

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Define/Elaborate on the meaning of insurance

NON-COMPULSORY 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. Give examples.
- 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.'

COMPULSORY INSURANCE

- Explain/Elaborate on the meaning of compulsory insurance.
- Explain/Differentiate/Distinguish between compulsory and non- compulsory insurance and give examples.
- 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 e.g., the RAF is currently changing to the RABS (Road Accident Beneficiary Scheme).

TERMS AND DEFINITIONS

TERM	DEFINITION
Insurance	It is a contract between a person/business/insured requiring insurance cover and the insurance company/insurer bearing the financial risk.
Insurance contract	An agreement whereby the insurer undertakes to indemnify the insured in the event of a specified loss in exchange for a premium.
Insurer	An insurance company that will take over specified risks
Insured	Individual/Business that takes out insurance coverage.
Indemnify	To compensate, protect or re-pay the insured in the event of a loss or damage.
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
Risk	Possibility of losses/damages
Premium	The payment made by insured to be covered in the event of losses/damages.
Life insurance	It is a long-term insurance and is taken out on the life of a human being and cover for the loss of life.
Public liability	Damage caused by business operations to the public
Insurable interest	Is expressed in financial terms and is the interest that the insured stand to lose if there are losses or damages.
Unemployment Insurance Fund (UIF)	This fund provides benefits to workers who have been working and are now unemployed for reasons such as retrenchment.
Road Accident Fund (RAF) Road Accident Benefit Scheme (RABS)	This fund pays compensation when a person is disabled/injured in a road accident and to dependents of the individual if killed in a road accident.
Compensation for Occupational Injuries and Diseases (COIDA)	This fund compensates workers financially for disability that may arise as a result of accidents while performing duties in the workplace.

Meaning of Insurance

- Insurance refers to cover for a possible event that may cause a specified loss/ damage.
- An agreement whereby the insurer undertakes to indemnify the insured in the event of a specified loss/damage.

- The insured has to pay a premium for specified losses/damages covered.

- A contract between a person/business/insured requiring insurance cover and the insurance company/insurer bearing the financial risk.

NON-COMPULSORY INSURANCE

The meaning of non-compulsory insurance

- Non-compulsory insurance is voluntary/the insured has a choice whether to enter into an insurance contract.
- It is not required by law, but it can provide protection for businesses and individuals.
- It is taken out in order to transfer the risk of something happening onto the insurance company.
- These risks include theft, damaged cars, damaged buildings/ premises/injuries on premises etc.
- Non-compulsory can be divided into:
 - Short-term insurance e.g., fire, theft etc.
 - Long-term insurance e.g., retirement/death etc.

Meaning of insurance concepts

Over insurance

- Over insurance is when the item is insured for more than the actual market value.
- Businesses will not receive a pay-out larger than the value of the loss at market value.
- This means that the extra money paid for the premiums will not be paid out to the insurer if there is a claim for a loss.

Under-insurance

- Occurs when property or assets are insured for their full market value.
- The property/asset is insured for less than the current/actual value of the property/assets.
- If a business is insured for an amount that is under the actual market value of goods or service, the insured/business will only be paid out for the amount that the goods/assets are insured for.
- The insurer usually applies the average clause to calculate the amount of money that must be compensated to the insured if the goods/assets are under insured.

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.
- This means that the insured is responsible for a part of the risk that is not insured.

NOTE: The average clause applies when goods/assets are under insured.

Formula for calculating the average clause

- The insured amount is divided by the market value of the insured item and multiplied by the total value/amount of the damages/loss.

- Insurance companies apply the following formula to determine the amount to be paid out to the insured:

$$\text{FORMULA:} = \frac{\text{Amount Insured}}{\text{Market Values}} \times \text{Damages}$$

Example of calculating the average clause

Zoleka owns a thatched house valued at R1 000 000. She insured his house with Pro-Cover Insurers for R800 000. A fire in the kitchen caused damages of R30 000.

- 1 Calculate the amount that Pro-Cover Insurers will pay Zoleka to cover damages. Show ALL calculations.
- 2 Explain to Zoleka the reason why she did not qualify for the full amount of damages sustained.

$$\begin{aligned}\text{Solution:} &= \frac{R800\,000}{R1\,000\,000} \times R30\,000 \\ &= R24000\end{aligned}$$

Reasons for not qualifying for the full amount of damages

- Peter insured his house for less (R800 000) than the market value (R1 000 000).
- He was underinsured so the average clause had to be activated.
- He will only receive R24 000 for damages, and not the full amount of the claim (R30 000).

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.
- The re-instatement value will not be higher than the market value of the loss.
- Insured is returned to almost the same financial position as before the loss occurred.

Example: A business property that has been insured for R300 000 but the market value for the property is R200 000. If it is destroyed by fire/storm etc, the insurer will rebuild the property instead of paying cash.

NOTE:

- 1 **Reinstatement applies when goods/assets are over-insured.**
- 2 **There is no formula for calculating over insurance. Therefore, you will not be asked to calculate over insurance.**

Excess

- A Excess is the amount the that the insured agrees to pay upfront when he/she takes take out an insurance policy./The amount that insured agrees to pay upfront as stipulated in the insurance policy
- A portion of the insurance claim that the insured will have to pay towards the cost of replacing/repairing the goods/property concerned.
- Excess payments protect the insurer against fraudulent claims as the insured is less likely to submit a false claim /when he/she needs to pay the amount upfront.
- It is the amount paid to the insurer when a claim for a damages is lodged/in the event of a claim.
- Higher excess amounts keep the insurance premium lower and discourage fraud.
- Excess payment prevents the insured from claiming for minor damages.
- **Example of an excess payment:** Sam's computer was insured for R6000 with an excess payment of R500. If it is stolen, the insurer paid out $R6000 - R500 = R5500$ to Sam for a new computer.

3 Differences between over and under-insurance

OVER-INSURANCE	UNDER-INSURANCE
Property/Assets that are insured for more than their value.	Property/Assets that are not insured for their full market value.
The insurer can choose to reinstate the insured.	The insurer will implement the average clause to determine the amount that will be paid.
Businesses will not receive a pay-out larger than the value of the loss at market value	Businesses will only be paid out for the amount that the goods/assets are insured for.

4 Differences between insurance and assurance

INSURANCE	ASSURANCE
Based on the principle of indemnity	Based on the principle of security/ certainty
The insured transfers the cost of potential loss to the insurer at a premium	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
It covers a specified event that may occur	Specified event is certainty, but the time of the event is uncertain
Applicable to short term insurance	Applicable to long term insurance
Examples	Examples
Property insurance/money in transit/theft/burglary/fire	Life insurance/endowment policies/ retirement annuities,

Examples of short term and long-term insurance

SHORT TERM INSURANCE	LONG TERM INSURANCE
<ul style="list-style-type: none">• Property insurance• Money in transit• Theft• Burglary• Fire	<ul style="list-style-type: none">• Endowment policy• Life cover policy/Life insurance• Retirement annuity/Pension fund/Provident fund• Disability policy• Trauma insurance• Funeral insurance• Health insurance/Medical aid

Principles of insurance

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.

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.

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.

NOTE: The principles of insurance form the basis of an insurance contract between the insurer and the insured.

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, storm damage, etc.
- 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, e.g., destruction of property through fire.
- Businesses assets, e.g., vehicles/equipment/buildings need to be insured against damage and/or theft.
- Businesses are protected against the loss of earnings, e.g., 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.

Meaning of insurable and non-insurable risks

Meaning of insurable risks

- 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

Meaning of non-insurable risks

- 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 insurable and non- insurable risks

INSURABLE RISKS	NON-INSURABLE RISKS
Examples <ul style="list-style-type: none">• 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	Examples <ul style="list-style-type: none">• Nuclear weapons/war• Changes in fashion• Improvement/changes in technology• Irrecoverable debts• Financial loss due to bad management• Possible failure of a business• Shoplifting during business hours• Loss of income if stock is not received in time/Time that elapses between the ordering and delivery of goods.

Compulsory insurance

Meaning of compulsory insurance

- Compulsory insurance is insurance that is required by law before /businesses/individuals may engage in certain activities.
- Compulsory insurance is intended to safeguard the welfare of everyone concerned.
- It is regulated by Government and does not require insurance contracts/brokers.
- Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions.

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
- NOTE: Do not confuse the examples of compulsory insurance with the examples of long-term insurance.**

Unemployment Insurance Fund (UIF)

- The UIF provides benefits to workers who have been working and become unemployed for various reasons.
- Employees contribute 1% of their basic wage to UIF.
- Businesses contribute 1% of basic wages towards UIF, therefore reducing the expense of providing UIF benefits themselves.
- The contribution of businesses towards UIF increases the amount paid out to employees that become unemployed.
- All employees who work at least 24 hours per month are required to be registered for UIF/contribute to the UIF.
- It is an affordable contribution that makes it possible for businesses to appoint substitute workers in some instances.

- The business cannot be held responsible for unemployment cover as the UIF pays out to contributors directly/dependants of deceased contributors.
- Businesses are compelled to register their employees with the fund and to pay contributions to the fund.

NOTE: You will not be awarded marks writing “workman’s compensation fund” instead of UIF.

Benefits of UIF

Unemployment benefits

- Employees, who become unemployed/retrenched due to restructuring/an expired contract, may claim within six months after becoming unemployed.
- Unemployed employees may only claim, if they contributed to UIF.
- Unemployed employees enjoy these benefits until the allocated funds are exhausted.
- If a worker voluntarily terminates his/her contract, he/she may not claim. ▮ No tax is payable on unemployment benefits.
- 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.

Illness benefits/ Sickness/ Disability

- Employees may receive these benefits if they are unable to work for more than 14 days without receiving a salary/part of the salary.
- Employees may not claim these benefits if they refuse medical treatment.

Maternity benefits

- Pregnant employees receive these benefits for up to 4 consecutive months.
- If an employee had a miscarriage, she could claim for up to six weeks/42 days.

Adoption benefits

- Employees may receive these benefits if they adopt a child younger than two years.
- Employees who take unpaid leave/may receive part of their salary while caring for the child at home.
- Only one parent/partner may claim.

Dependants' benefits

- Dependants may apply for these benefits if the breadwinner, who has contributed to UIF dies.
- The spouse of the deceased may claim, whether he/she is employed or not.

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.

NOTE: Do not confuse the benefits of UIF with types of leaves

Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)

- RAF/RABS insures road-users against the negligence of other road users.
- The RAF/RABS provides compulsory cover for all road users in South Africa, which include South African businesses.
- Drivers of business vehicles are indemnified against claims by persons injured in vehicle accidents.
- RAF/RABS is funded by a levy on the sale of fuel/diesel/petrol.
- The amount that can be claimed for loss of income is limited by legislation.
- The next of kin of workers/ breadwinners who are injured/killed in road accidents, may claim directly from RAF/RABS.
- Injured parties and negligent drivers are both covered by RAF/RABS.
- The injured party will be compensated, irrespective of whether the negligent driver is rich/poor/insured/uninsured.
- RABS aims to provide a benefit scheme that is reasonable/equitable/affordable/ sustainable, etc.
- RABS aims to simplify/speed up the claims process as victims of road accidents no longer have to prove who caused the accident.
- RABS enables road accident victims speedy access to medical care as delays due to the investigation into accidents has been minimised.

NOTE: You will be awarded a mark if you write the word “third party” instead of RAF.

Compensation Fund/Compensation for Occupational Injuries and Diseases/COIDA

- The fund covers occupational diseases and workplace injuries.
- Compensates employees for injuries and diseases incurred at work.
- Compensation paid is determined by the degree of disablement.
- The contribution payable is reviewed every few years according to the risk associated with that type of work.
- All employers are obliged to register with the compensation fund so that employees may be compensated for accidents and diseases sustained in the workplace.
- The fund covers employers for any legal claim that workers may bring against them.
- Employers are required to report all accidents within 7 days and occupational diseases within 14 days to the Compensation Commissioner.
- Employers are responsible for contributing towards the fund and may not claim money back from employees/deduct contributions from wages.
- In the event of the death of an employee as a result of a work-related accident/ disease, his/her dependant(s) will receive financial support.
- Employees do not have to contribute towards this fund.
- Employees receive medical assistance provided there is no other party/medical fund involved.

Differences between compulsory and non-compulsory insurance

Compulsory insurance	Non-compulsory insurance
Required by Law/there are legal obligations for it to be taken out and paid for.	Is voluntary/the insured has a choice whether to enter into an insurance contract.
It is regulated by Government and does not require insurance contracts/brokers	Insured will enter into a legal insurance contract with the insurer, who may be represented by an insurance broker.
Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions.	Monthly/Annual payments/premiums that must be paid in order to enjoy cover for a nominated risk.
Examples UIF, RAF and Compensation Fund/COIDA	Examples Short term insurance/Multi-peril insurance (theft, fire, etc.) Long term insurance/Life insurance

BUSINESS ROLES

PAPER 2

TOPIC 11: TEAM PERFORMANCE&CONFLICT MANAGEMENT

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

TEAM PERFORMANCE ASSESSMENT

- 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/Discuss/Elaborate on the importance of team dynamic theories in improving team performance e.g., allocating tasks according to the roles of team members.

CONFLICT RESOLUTION

- 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)

DEALING WITH GRIEVANCES AND DIFFICULT PEOPLE/PERSONALITIES

- 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
 - 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.

TERMS AND DEFINITIONS

TERMS	DEFINITION
Team	Group of people who work together to achieve a common goal.
Conflict	A disagreement/a clash of opinions in the workplace.
Task/Work	Activity/function performed by an individual or team members.
Teamwork	Interactions with team members to achieve a common goal.
Team dynamics	A way in which team members work together in a group.
Forming	Team members get to know each other and accept their roles in the team.
Storming	Team members confront each other with their different ideas.
Norming	Team members accept each other and set common goals and values for the team.
Performance	An accomplished task measured against pre-set known standards.
Adjourning	Team members have to leave a team after completion of the tasks.
Team dynamic theories	Assist to allocate tasks according to the roles of individual members.
Grievance	A formal complaint laid by an employee when he/she feels that he/she has been ill-treated by the employer.
Co-operation/ Collaboration	Willingness to co-operate in the team to achieve objectives.
Mutual	Two people share the same feeling

Commitment	Keeping to a promise/arrangement/cause
Accountability	When someone is held responsible for his/her actions
Interpersonal attitudes	The personality that a person continuously develops
Interpersonal behavior	How two or more people interact with one another
Shared values	A group of people with the same set of standards and beliefs.
Assess	Check how well something has been done

TEAM PERFORMANCE ASSESSMENT

Criteria for successful team performance

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.
- Members are committed/passionate towards achieving a common goal/ objectives.
- Team leader acknowledges/gives credit to members for positive contributions.

Shared values/ Mutual trust and support

- Shows loyalty/respect/trust towards team members despite differences.
- Shows respect for the knowledge/skills of other members.
- Perform team tasks with integrity/pursuing responsibility/meeting team deadlines with necessary commitment to team goals.

Communication

- A clear set of processes/procedures for teamwork ensures that every team member understands his/her role.
- Efficient/Good communication between team members may result in quick decisions.
- Quality feedback improves the morale of the team.
- Open/Honest discussions lead to effective solutions of problems.
- Continuous review of team progress ensures that team members can rectify mistakes/act pro-actively to ensure that goals/targets are reached.

Co-operation/ Collaboration

- Clearly defined realistic goals are set, so that all members know exactly what is to be accomplished.
- All members take part in decision making
- Willingness to co-operate as a unit to achieve team objectives.
- Co-operate with management to achieve team/business objectives.

- Agree on methods/ways to get the job done effectively without wasting time on conflict resolution.
- A balanced composition of skills/knowledge/experience/expertise ensures that teams achieve their objectives.

NOTE: You must be able to identify the above-mentioned criteria for successful team performance from given statements/scenarios.

Characteristics of successful team performance

- 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.
- Creates an environment where team members are given opportunities to develop so that team members grow and learn from the experience of working in a team.
- Regular reviews of team processes and progress may detect/solve problems sooner.
- Balance the necessary skills/knowledge/experience/expertise to achieve the objectives.

The stages of team development

- Forming
- Storming
- Norming
- Performing
- Adjourning/Mourning

DESCRIPTION OF EACH STAGE OF TEAM DEVELOPMENT

Forming stage

- Individuals gather information and impressions about each other and the scope of the task and how to approach it.
- Teams are comfortable and polite with each other during this stage.
- People focus on being busy with routines, such as team organisation e.g. who does what, when to meet each other, etc.

Storming

- Teams go through a period of unease/conflict after formation.
- Different ideas from team members will compete for consideration.
- Team members open up to each other and confront each other's ideas/ perspectives.
- Tension/struggle/arguments occur and upset the team members/there may be power struggles for the position of team leader.
- In some instances, storming can be resolved quickly; In others, the team never leaves this stage.

- Many teams fail during this stage as they are not focused on their task.
- This phase can become destructive for the team/will negatively impact on team performance, if allowed to get out of control.
- This stage is necessary/ important for the growth of the team.
- Some team members tolerate each other to survive this stage.

Norming/Settling/reconciliation

- Team members come to an agreement and reach consensus.
- Roles and responsibilities are clear and accepted.
- Processes/working style and respect develop amongst members.
- Team members have the ambition to work for the success of the team.
- Conflict may occur, but commitment and unity are strong.

Performing stage/Working as a team towards a goal

- Team members are aware of strategies and aims of the team.
- They have direction without interference from the leader.
- Processes and structures are set.
- Leaders delegate and oversee the processes and procedures.
- All members are now competent, autonomous and able to handle the decision-making process without supervision.
- Differences among members are appreciated and used to enhance the team's performance.

Adjourning/Mourning stage

- The focus is on the completion of the task/ending the project.
- Breaking up the team may be traumatic as team members may find it difficult to perform as individuals once again.
- All tasks need to be completed before the team finally dissolves.

NOTE: You must be able to identify the above-mentioned stages of team development from given scenarios/statement.

Importance of team dynamic theories in improving team performance

- Team dynamic theories explain how effective teams work/operate.
- Businesses are able to allocate tasks according to the roles of team members.
- Team members can maximise performance as tasks are allocated according to their abilities/skills/attributes/personalities.
- Team members with similar strengths may compete for team tasks/responsibilities that best suit their abilities/competencies.
- Theories assist team leaders to understand the personality types of team members so that tasks are assigned more effectively.
- Conflict may be minimised when team members perform different roles.

CONFLICT RESOLUTION

Causes of conflict in the workplace

- Differences in backgrounds/cultures/values/beliefs/language
- Limited business resources
- Different goals/objectives for group/individuals
- Personality differences between group/individuals
- Different opinions
- Unfair workload
- Ill-managed stress
- Unrealistic expectations
- Poor organisation/leadership/administrative procedures and systems
- Confusion about scheduling/deadlines
- Ignoring rules/procedures
- Misconduct/Unacceptable behaviour
- High/Intense competition/Competitiveness
- Poor communication
- Unclear responsibilities
- Distracted by personal objectives
- Constant changes in the workplace
- Unfair treatment of workers/Favouritism by management/Discrimination
- Lack of trust amongst workers

NOTE: You must be able to identify causes of conflict from given scenarios/statement

Explanation of causes of conflict in the workplace

- Lack of proper communication between management and workers.
- Ignoring rules/procedures may result in disagreements and conflict.
- Management and/or workers may have different personalities/ backgrounds.
- Different values/levels of knowledge/skills/experience of managers/workers.
- Little/no co-operation between internal and/or external parties/stakeholders.
- Lack of recognition for good work, e.g., a manager may not show appreciation for extra hours worked to meet deadlines.
- Lack of employee development may increase frustration levels as workers may repeat errors due to a lack of knowledge/skills.
- Unfair disciplinary procedures, e.g., favouritism/nepotism.
- Little/no support from management with regards to supplying the necessary resources and providing guidelines.
- Leadership styles used, e.g., autocratic managers may not consider worker inputs.
- Unrealistic deadlines/Heavy workloads lead to stress resulting in conflict.
- Lack of agreement on mutual matters, e.g., remuneration/working hours.
- Unhealthy competition/Inter-team rivalry may cause workers to lose focus on team targets.
- Lack of commitment/Distracted by personal objectives which may lead to an inability to meet pre-set targets.
- Constant changes may cause instability.
- Lack of clarity regarding employees' roles and responsibilities.

Handling conflict in the workplace/Conflict resolution steps/techniques

- Acknowledge that there is conflict in the workplace.
- Identify the cause of the conflict.
- Arrange pre-negotiations where workers/complainants will be allowed to state their case/views separately.
- Arrange time and place for negotiations where all employees involved are present.
- Arrange a meeting between conflicting employers/employees.
- Make intentions for intervention clear so that parties involved may feel at ease.
- Each party has the opportunity to express his/her own opinions/feelings.
- Conflicting parties may recognise that their views are different during the meeting.
- Analyse/Evaluate the cause (s) of conflict by breaking it down into different parts.
- Blame shifting should be avoided and a joint effort should be made.
- Direct conflicting parties towards finding/focusing on solutions.
- Devise/Brainstorm possible ways of resolving the conflict.
- Conflicting parties agree on criteria to evaluate the alternatives.
- Select and implement the best solution.
- Provide opportunities for parties to agree on the best solution.
- Evaluate/Follow up on the implementation of the solution(s).
- Monitor progress to ensure that the conflict has been resolved.
- Source experts on handling conflict from outside the business.

DEALING WITH GRIEVANCES AND DIFFICULT PEOPLE/PERSONALITIES

Differences between grievance and conflict

GRIEVANCE	CONFLICT
When an employee is unhappy/ has a problem/complaint in the workplace.	Clash of opinions/ideas/viewpoints in the workplace.
It is when an individual/group has a work-related issue.	Disagreement between two or more parties in the workplace.
Examples that can cause a grievance: Discrimination, unfair treatment, poor working conditions.	Examples that can cause conflict: A lack of trust/miscommunication/ personality clashes/different values.

Correct procedures to deal with grievances

- An aggrieved employee must verbally report the incident/grievance to his/her supervisor/manager, who needs to resolve the issue within 3 to 5 working days.
- Should the employee and supervisor not be able to resolve the grievance, the employee may take it to the next level of management.
- The employee may move to a more formal process where the grievance must be lodged in writing/completes a grievance form.
- The employee must receive a written reply in response to the written grievance.

- A grievance hearing/meeting must be held with all relevant parties present.
- Minutes of the meeting must be recorded, and any resolution passed must be recorded on the formal grievance form.
- Should the employee not be satisfied, then 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 filed/recorded, and the outcome/decision must be recorded on the 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 can be referred to Labour Court on appeal if the employee is not satisfied with the decision taken by the CCMA.

6.3 Types of difficult personalities

- Complainer
- Indecisive
- Over-agree
- Negativity
- Expert
- Quiet
- Aggressive

Ways in which businesses can deal with difficult personalities

TYPE OF PERSONALITY	STRATEGY TO DEAL WITH A PERSONALITY
Complainer	<ul style="list-style-type: none">• Listen to the complaints but do not acknowledge them• Interrupt the situation and move to the problem-solving process
Indecisiveness	<ul style="list-style-type: none">• Guide them through alternatives.• Stay in control and emphasise the importance of making a decision.• Help them make the decision or solve the problem
Over-agree	<ul style="list-style-type: none">• Be firm and do not let them make promises that they cannot keep.• Follow up on their actions
Negativity	<ul style="list-style-type: none">• Be firm with them and do not let them draw the supervisor into their negativity.• Listen to them but do not agree with them
Expert	<ul style="list-style-type: none">• Be firm and assertive.• Do not accuse them of being incorrect/Do not get caught in their game.• Know your facts.
Quiet	<ul style="list-style-type: none">• Do not fill their silence with words• Wait for their response• Prompt them through the process so that they can give input• Restrict the time of the discussion
Aggressive	<ul style="list-style-type: none">• Allow them time to speak and blow off• Be firm, but do not attack them• Do not allow them to be hostile toward others

NOTE: You must be able to identify difficult personalities from given scenarios/ statements and suggest strategies to deal with EACH type of difficulty personalities.

Ways in which businesses can deal with difficult employees in the workplace

- Get perspective from others who have experienced the same kind of situation to be able to understand difficult employees.
- Act pro-actively, if possible, as a staff/personnel problem is part of a manager's responsibilities.
- Regular meetings with supervisors/departmental heads should help to identify difficult/problem behaviour.
- Ask someone in authority for their input into the situation.
- Identify the type of personality which is creating the problem.
- Meet privately with difficult employees, so that there are no distractions from other employees/issues.
- Make intentions and reasons for action known, so that difficult person/people feel at ease.
- Employees should be told what specific behaviours are acceptable by giving details about what is wrong/ unacceptable and also an opportunity to explain their behaviour.
- A deadline should be set for improving bad/difficult behaviour.
- The deadline date should be discussed with the difficult employee and his/her progress should be monitored/ assessed prior to the deadline.
- Guidelines for improvement should be given.
- Do not judge the person but try to understand him/her/Understand his/her intentions and why he/she reacts in a certain way.
- Keep communication channels open/Encourage employees to communicate their grievances to management.
- Build rapport/sound relations by re-establishing personal connection with colleagues, instead of relying on e-mails/messaging/social media.
- Help difficult employees to be realistic about the task at hand.
- Remain calm and in control of the situation to get the person(s) to collaborate.
- Treat people with respect, irrespective of whether they are capable/ competent or not.
- Sometimes it may be necessary to ignore and only monitor a difficult person.
- Identify and provide an appropriate support program to address areas of weakness.

TERM THREE

BUSINESS ROLES

PAPER 2

TOPIC 12: HUMAN RIGHTS, INCLUSIVITY AND ENVIRONMENTAL ISSUES

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.

DIVERSITY

- 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
 - 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.

ENVIRONMENTAL FACTORS

- 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, e.g., checking on the effectiveness of health and safety measures/identifying potential dangers in the work environment/ investigating workers' complaints, etc.
- 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.
- 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, etc.

TERMS AND DEFINITIONS

TERMS	DEFINITIONS
Human rights	The rights of all human beings irrespective of their gender/race/nationality or any other status.
Inclusivity	Means that no one should be excluded because of their gender/age/race/language/disability.
Environmental issues	Relate to preserving a clean/safe/sustainable environment.
Diversity	It means the workforce must include groups of a variety of people who are different in race/gender, class etc.
Poverty	Being unable to satisfy basic needs due to lack of income to buy goods/service.
Inequality	Unfair differences between groups of people in society/When some have access to more wealth/status/opportunities than others.
Race	Classification of people according to their physical differences e.g., colour of their skin.
Gender	Refers to being male or female.
Disability	A physical or mental condition that limits a person's movements, senses, or activities.
Religion	A belief in and worship of a superhuman controlling power, especially a personal God.
Age	The length of time that a person has lived, or a thing has existed.
Culture	The ideas, customs, and social behaviour of a particular people or society.
Equality	The fact of being equal in rights, status, advantages etc.
Respect	A polite behaviour towards or care for somebody/something that you think is important.
Dignity	A calm and serious manner that deserves respect.
Economic rights	The rights each person has to be economically active.
Social rights	Right to welfare benefits.
Cultural rights	A right to participate in cultural activities and events of your choice.

HUMAN RIGHTS

- Human rights are rights that everyone must enjoy by mere fact that they are human beings
- They are protected by the Bill of Rights contained in chapter two of the constitution of the Republic of South Africa.

HUMAN RIGHTS IN THE WORKPLACE

- Privacy
- Dignity
- Equity
- Freedom of speech and expression
- Information
- Safety, security and protection of life

Note: (These human rights should be viewed in the context of the business/workplace)

Ways in which businesses could deal with human rights in the workplace.

Privacy

- Businesses may not violate the rights of the employees and clients.
- They should not provide personal information about employees to anyone else.
- Information on employees who have disclosed their HIV/Aids status/any chronic illness must be kept confidential.
- It is illegal to read other people's emails/record conversations unless stated clearly and upfront.

Dignity

- Businesses must treat all employees with respect/dignity regardless of their socio-economic status.
- They should not force workers to do embarrassing or degrading work.

Equity

- Businesses must give equal opportunities/not discriminate against their employees on the basis of gender/race/religion/sexual orientation, etc.
- Equal pay for work of equal value.
- They should apply relevant legislation fairly on all levels.
- Managers should ensure that no employee suffers because of discrimination.

Freedom of speech and expression

- Businesses should allow open communication channels between management and employees.
- They should give employees a platform to raise their grievances without any victimisation.
- An employee should not be punished/discriminated against for voicing their opinion.

Information

- Workers should have access to information, including all information held by the government, e.g., policies/work schedules/employment contracts/labour laws such as BCEA/EEA/SDA, etc.
- Business needs to be transparent in their financial statements/Employees may request to see these statements with motivation.

- Employees should be informed/updated as new information becomes available.

Safety, security and protection of life

- Employees should work in a safe working environment free from hazardous products/areas.
- Provide workers with protective clothing, e.g., gloves and footwear, etc.
- Comply to safety legislation such as OHSA/COIDA, etc.
- Take precautionary measures to ensure employees and their belongings are safe in the workplace.

Inclusivity

- Means that no one should be excluded because of their gender/age/race/ language/disability.
- Businesses can achieve inclusivity by promoting equality, respect and dignity in the workplace.

ECONOMIC RIGHTS OF EMPLOYEES IN THE WORKPLACE.

- Free from forced labour
- Free to accept or choose work
- Fair wages/ Equal pay/ Equal pay for work of equal pay
- Reasonable limitation of working hours
- Safe and healthy working conditions
- Join, form trade unions
- Right to participate in a legal strike

SOCIAL RIGHTS OF EMPLOYEES IN THE WORKPLACE.

- Access to clean water
- Education
- Health care
- Protection

Ways to promote social rights in the workplace

- Businesses should ensure that employees have access to clean water/social security.
- Encourage employees/Provide opportunities for skills training/basic education.
- Register workers with UIF to provide adequate protection in the event of unemployment/illness.
- Encourage employees to participate in special events, e.g., World Aids Day.
- Provide health care services by establishing site clinics to give employees access to basic medical examinations.

CULTURAL RIGHTS OF EMPLOYEES IN THE WORKPLACE

Ways to promote cultural rights in the workplace

- Employees should be trained on cultural tolerance.
- Employ people from various cultural backgrounds.
- Encourage employees to participate in cultural activities.
- Make provision for different cultures, such as food served in the canteen/entertainment at staff functions.
- Regular cultural information sessions will help employees to respect each other's culture in the workplace.
- Provide the environment in which employees are free to use their own language when interacting with others during their free time.
- Allow employees to provide solutions to challenges from their own cultural perspective.

Implication of equality, respect and dignity on businesses

- Businesses should treat all their employees equally, regardless of their race/colour/age/gender/disability, etc.
- All workers should have access to equal opportunities/positions/ resources.
- Employers and employees need to comply with legislation with regard to equal opportunities/human rights in the workplace.
- Businesses should develop equity programmes/promote strategies to ensure that all employees are treated equally regardless of status/rank/power. ▯ Mission statement should include values of equality/respect.
- Training/Information/Business policies should include issues such as diversity/discrimination/harassment.
- Employers should respond swiftly and fairly to reported incidents of discrimination in the workplace.
- Ensure that employees work in an environment that is conducive to safety/fairness/free from embarrassment.
- Orders/Tasks should be given respectfully and allow the recipient/employee to have a say in the manner in which the task should be performed.
- Treat workers with respect/dignity by recognising work well done/the value of human capital.

DIVERSITY

The meaning of diversity

- Diversity refers to the variety of people employed based on age/race/gender/ ethnic groups/disabilities/material wealth/personalities/how employees see themselves and others.
- Businesses employ people from different cultural backgrounds.
- Businesses should have systems in place to support diversity issues.

DIVERSITY ISSUES IN THE WORKPLACE

- Poverty
- Race

- Gender
- Language
- Age
- Culture/religion
- Disability

Ways in which businesses could deal with diversity issues in the workplace

Poverty

- Businesses should employ people from different socio-economic backgrounds/ status.
- Reward employees for services well-rendered.
- Offer subsidised meals/canteen facilities on the premises.
- Supply free uniforms to employees for safety purposes.
- Train all employees so that they can be able to deal with retrenchment.
- Train some unemployed people from local communities as part of a business's CSI projects.
- Give previously disadvantaged individuals a chance to be educated by incorporating Adult Basic Education and Training (ABET) into training programmes of the business.
- Ensure that the prices of products are affordable for the identified consumer market.
- Sponsor learnerships for unemployed people/use grants received from SETAs to train more unemployed people from local communities.

Race

- Implement affirmative action policies as required by law.
- No discrimination should be made based on skin colour.
- Ensure that the workplace is diverse by employing people from different race groups.
- When appointments are made, previously disadvantaged people should get preferential treatment.
- Comply with the Employment Equity Act and BBBEE when appointing people.

Gender

- Males and females should be offered equal employment opportunities.
- Business directors should promote both men and women in managerial positions.
- Women should be employed to comply with EEA.
- Targets may be set for gender equity in the business.
- New appointments should be based on skills and ability.
- Introduce affirmative action by ensuring that male and female employees are remunerated fairly/equally.

Language

- Provide training in the official language of the business.
- No worker should feel excluded in meetings conducted in one language only.

- Employ an interpreter so that everyone can fully understand what is being said in a meeting.
- All business contracts should be in an easy-to-understand language and should be available in the language of choice for the relevant parties signing the contract.
- Business may specify that all communications should be in one specific language only and would expect employees to have a certain level of fluency in that language.

Age

- A business may not employ children aged 15 or younger.
- The ages of permanent workers should vary from 18 to 65 to include all age groups.
- Young employees must be advised to respect and learn from older employees.
- Businesses must encourage older employees to help young employees to develop their potential.
- Promotions should not be linked to age, but rather to a specific set of skills.
- A business may employ a person who is older than the normal retirement age, provided that person is the most suitable candidate.
- The business should encourage employees to be sensitive to different perspectives of various age groups.

Culture/Religion

- Cater for special food/preparation methods in the workers' canteen.
- Businesses should acknowledge/respect cultural differences of employees.
- The business may not discriminate against employees on the grounds of their cultural background.
- Business must not force employees to do work that could be against their religion
- Business must be sensitive to special requests from different cultural groups, e.g., allow day(s) off for cultural holidays/festivals.

Disability

- Business should provide employment opportunities for people who are physically challenged.
- Employees should be trained on how to deal with colleagues with disabilities.
- Business should be well informed on how to deal with disabled employees.
- Accommodate people who are physically challenged by providing facilities/ramps for wheelchairs, etc.
- Ensure that workers with special needs are not marginalised/feel excluded from workplace activities.
- Policies and programs should accommodate the needs of people with disabilities.
- Create an organisational culture/climate that is conducive for people with disabilities.
- Business should bring in external experts to help with disability and accommodation issues.
- Focus on skills/work performance of the disabled worker, rather than his/her disability/possible problems he/she may pose in future.

BENEFITS OF DIVERSITY IN THE WORKPLACE

- Workforce diversity improves the ability of a business to solve problems/ innovate/cultivate diverse markets.
- Employees value each other's diversity and learn to connect/communicate across lines of difference.
- Diversity in the workforce improves morale/motivation.
- Employees demonstrate greater loyalty to the business because they feel respected/accepted/understood.
- Diversified workforce can give businesses a competitive advantage, as they can render better services.
- Being respectful of differences/demonstrating diversity makes good business sense/improves profitability.
- Diverse businesses ensure that its policies/practices empower every employee to perform at his/her full potential.
- Stakeholders increasingly evaluate businesses on how they manage diversity in the workplace.
- Employees from different backgrounds can bring different perspectives to the business.
- A diversified workforce stimulates debate on new/improved ways of getting things done.
- Employees represent various groups and are therefore better able to recognise customer needs and satisfy consumers.
- Businesses with a diverse workforce are more likely to have a good public image and attract more customers.

ENVIRONMENTAL FACTORS

- Environmental issues relate to preserving a clean/safe/sustainable environment.
- Businesses should assess, control and address all the physical, chemical and biological factors in the environment.

Responsibilities of employers in promoting human health and safety in the workplace

- Provide and maintain all the equipment that is necessary to perform the work.
- Equipment must be used under the supervision of a designated trained worker.
- Keep the systems to ensure that there will be no harmful impact on the health and safety of workers.
- Reduce/Remove dangers to workers and provide personal protective clothing.
- Employers must know where potential dangers might be and take measures to eliminate or limit the harm.
- Ensure that the workers' health is not damaged by hazards resulting from production /processing/storage/transportation of materials or equipment.
- Workers must be informed /instructed/and supervised to limit potential dangers to them/Emergency exit door signs should be visible to all employees.
- Comply with safety laws which seek to promote a healthy working environment.

Roles of health and safety representatives in protecting the workplace environment

- Ensure that protective clothing is provided /available to all workers.
- Identify potential dangers in the workplace.
- Initiate/promote/Maintain /Review measures to ensure the health and safety of workers.
- Check/Monitor the effectiveness of health and safety measures with management.
- Ensure that all equipment that is necessary to perform work are provided /maintained regularly.
- Promote safety training so that employees may avoid potential dangers/act pro-actively.
- Ensure that dangerous equipment is used under the supervision of trained/qualified workers.
- Ensure that workers' health and safety is not endangered by hazards resulting from production /processing/storage/transportation of material/equipment.
- Work together with the employer to investigate any accidents/complaints from the workers concerning health and safety in the workplace.
- Ensure that employers comply with COIDA.

Responsibilities of workers/employees in promoting human health and safety in the workplace

- Workers should take care of their own health and safety in the workplace.
- Co-operate and comply with the rules and procedures, e.g., wear prescribed safety clothing.
- Report unsafe/unhealthy working conditions to the relevant authorities/ management.
- Report accidents to the employer by the end of the shift.
- Use prescribed safety equipment.
- Take reasonable care of their own safety ▮ Inform the employer of any illness that may affect the ability to work.

Ways in which businesses could protect the environment and promote human health in the workplace

- Laws and regulations should be adhered to so that profits are not generated at the expense of the environment.
- Pollution and other environmental issues should always be considered in all business activities, e.g., safe disposal of waste/dumping of toxic waste, etc.
- Become involved in environmental awareness programmes.
- The environment can be protected by altering production techniques in favour of cleaner and greener technologies.
- Water for human consumption should be tested before it is used.
- Promote nature conservation by looking after natural resources.
- Minimise pollution, by re-using, reducing and recycling.
- Reduce consumption of goods/services which are environmentally unfriendly.
- Register/Engage with recognised institutions/bodies that promote green peace.
- Physical working conditions should always be worker friendly, safe and promote occupational health.
- Physical working conditions, e.g., adequate lighting/ventilation should be available and functional.
- Machines must be serviced/maintained regularly.
- Educate people about hygiene issues.
- Encourage employees to do regular health checks.

NOTE: (The focus should on how the business should do it)

BUSINESS ROLES

PAPER 2

TOPIC 13: SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP

SOCIAL RESPONSIBILITY

Learners should be able to:

- Define/Elaborate on the meaning of social responsibility.
- Explain the relationship/link between social responsibility and triple bottom line.
- Suggest ways in which a business project can contribute towards the community: charitable contributions to NGO's, involvement in community education, employment, and employee volunteer programmes.
- 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-stated socio-economic issues.
- Explain/Recommend/Suggest ways in which businesses can contribute time and effort in improving the well-being of employees and communities.

CORPORATE SOCIAL RESPONSIBILITY/CSR

- Define/Elaborate on the meaning of CSR.
- Describe/Explain the purpose of CSR
- Identify/Name/Outline the components of CSR: environment, ethical corporate social investment, health and safety.
- Identify CSR programmes from given scenarios/statements.
- Explain/Discuss/Evaluate/Analyse the impact (positives/advantages and/or negatives/disadvantages) of CSR on businesses and communities.

CORPORATE SOCIAL INVESTMENT/CSI

- Define/Elaborate on the meaning of CSI.
- Explain/Describe the purpose of CSI.
- Name/Outline CSI focus areas, e.g., community, rural development, employees, environment.
- Explain/Distinguish/Differentiate between CSR and CSI.
- Explain/Discuss/ Evaluate/Analyse the impact (advantages/positives and/or disadvantages /negatives of CSI on business and communities.

TERMS AND DEFINITIONS

TERM	DEFINITION
Social responsibility	An ethical viewpoint that says every individual/organisation has an obligation to benefit society as a whole.
Corporate	Refers to businesses/firms/organisations.
Corporate Social Responsibility (CSR)	The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large.
Corporate Social Investment (CSI)	The investment of corporate funds/other assets for the primary purpose of achieving social outcomes.
Contemporary Socio-economic issues	Current societal and economic factors that impact on the business.
Triple bottom line	Refers to the 3Ps that businesses should always consider in their operations, namely, PROFIT, PEOPLE and PLANET.
Sustainability	Using the resources in such a manner that future generations will be able to use them.
Well-being	Caring for the needs of employees and the communities.
Demographics	Statistical data of the population in term of race, age and income.
Staff turn-over	Rate at which the employer has to replace their employees.

SOCIAL RESPONSIBILITY

The meaning of social responsibility

- An ethical viewpoint that says every organization has an obligation to benefit society as a whole.
- The responsibility of every organization to contribute towards the well-being of the community and the environment in which they live.

Relationship/Link between triple bottom line and social responsibility (PPP)

Profit (Economic)

- The businesses should not only focus on profit but should also invest in CSI projects.
- Businesses should not make a profit at the expense of its community.

People (Social)

- Business operations should not have a negative impact on the community.
- Businesses should engage in sustainable community uplifting programmes.
- Businesses should improve the quality of life of their employees.

Planet (Environment)

- Businesses should not harm the environment for profit purposes.
- They may support eco-friendly production methods.
- Recycle and Re-use waste, e.g., packaging from recycled material.

Socio-economic issues

- HIV/Aids
- Unemployment
- Poverty

Strategies to deal with socio-economic issues

Strategies to deal with HIV/Aids

- Counselling programmes/train counsellors to provide infected and affected persons/employees.
- Develop counselling programmes for infected/affected persons/employees.
- Conduct workshops on HIV/Aids programmes/campaigns.
- Roll out anti-retroviral (ARV) treatment programmes (ART) for the infected employees.
- Encourage employees to join HIV/Aids support groups.
- Develop strategies to deal with stigma and discrimination.
- Participate in the HIV/Aids prevention programmes implemented in the community.
- Support non-governmental organisational/community-based organisation/NPC HIV/Aids initiatives.

Strategies to deal with Unemployment

- Provide skills development programmes through learnerships.
- Offer bursaries to the community to improve the level of education.
- Create jobs for members of the community.
- Provide entrepreneurial programmes that can promote self-employment.
- Support existing small businesses to create more employment opportunities.

Strategies to deal with Poverty

- Invest in a young starting SME that can be a business competitor, buyer or supplier.
- Attract the best employees by being socially responsible and offering the best volunteering programs.
- Support poverty alleviation programmes that are offered by the government.
- Donate money/food parcels to local NGO's.

NOTE: Some strategies to deal with unemployment can also be used to deal with poverty.

Ways in which businesses can contribute time and effort in improving the well-being of employees

- Pay fair wages/salaries to the workers based on the nature of their work/the prevailing economic conditions in the market.
- Working conditions should include safety/medical/canteen facilities/benefits like housing/leave/retirement, etc.
- Pay fair bonuses, based on business earnings, as acknowledgement for hard work and commitment.
- Provide for employees' participation in decision making that affects them.
- Provide recreational facilities for employees.
- Offer annual physical/medical assessments to workers.
- Make trauma debriefing/counselling/assistance available to any employee who requires these services.
- Offer financial assistance in the case of any hardship caused by unexpected medical costs.
- Allow flexible working hours to enhance productivity.
- Offer support programmes for employees infected and affected by HIV/Aids.
- Make childcare facilities available on the premises for working mothers in the business.
- Start a nutritional programme so that employees can enjoy one meal per day to keep them in a healthy condition.
- Give time to staff to get involved in projects they choose/Allow staff to use some of the working hours to participate in the projects of their choice.
- Encourage employees to stay fit and healthy by getting them involved in health activities to minimize stress/substance abuse/obesity.
- Provide transport for employees who work unusually long hours.
- Establish coaching and mentoring programmes for junior employees.
- Conduct team-building sessions to improve employees' morale.
- Encourage employees to attend capacity-building workshops/training programmes/ staff-development programmes/team-development programmes.

Ways in which businesses can contribute time and effort in improving the well-being of communities

- Business should improve the general quality of life of their community, e.g., invest in education, etc.
- Ensure that the product they supply do not harm consumers/the environment.
- Refrain from engaging in illegal/harmful practices such as employing children under the legal age/selling illegal substances, etc.
- Make ethically correct business decisions, e.g., not engage in unfair/misleading advertising, etc.
- Donate money to a community project/run a project to uplift the community.
- Provide recreational/sport facilities to promote social cohesion/healthy activities.

COOPERATE SOCIAL RESPONSIBILITY/CSR

Meaning of CSR

- The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large.
- Corporate Social Responsibility/CSR is the way a business conducts its operations ethically and morally, regarding the use of human, physical and financial resources.
- Corporate Social Responsibility is an obligation required by law and benefits both business and society.

Purpose of CSR

- CSR programmes are internal programmes that businesses use to comply with laws and ethics.
- Key areas of concern are protecting the environment, the wellbeing of employees from the community and civil society in general.
- Businesses seek to promote public interest and do away with harmful practices without the need for any formal legislation.
- Business operations address Triple bottom line through CSR programmes by considering its impact on people, profit and planet.
- CSR aims at creating a safe working environment for employees.
- CSR programmes and activities the business undertakes to contribute positively to the community in which the business operates.
- CSR may take the form of a monetary donation to support local organisations.

Components of Corporate Social Responsibility (CSR)

- Environment
- Ethical corporate social investment
- Health and safety
- Corporate governance
- Business ethics
- Employment equity
- Supply chain/Distribution channel
- Customers
- Community

COOPERATE SOCIAL INVESTMENT /CSI

The meaning of CSI

- Money that a business budgets to provide solutions to social problems within the communities from which they draw their workers or where they sell their products/services.
- Projects that are not part of the normal business activities of a business and are designed and aim to benefit the community.

- The projects are not directly for purposes of increasing company profits.

Purpose of CSI

- CSI aims at contributing towards sustainable development of its immediate communities.
- CSI is enforceable by law and government requires business to make CSI contributions.
- CSI projects play a positive role in the development of communities.
- CSI reveals a business's attitude towards the community in which it operates.
- CSI projects are long-term investment.
- It is relevant to the South African context where socio-economic upliftment is such a priority.

CSI focus areas

- Community
- Rural development
- Employees
- Environment

Examples of CSI projects

- Donation to support local organisations
- Being involved in conservation projects
- Investing in job creation projects
- Providing adult basic education
- Teaching entrepreneurial skills
- Sponsoring arts and culture programmes
- Establishing programmes to promote early childhood development

Other examples of CSI projects from the scenario

JOE TRADING ENTERPRISE (JTE)

Joe Trading Enterprise is making large profits due the excellent service and quality of products offered to customers. The management of JTE has decided to invest some of the business profit in the community they operate in by doing the following:

- Buy school uniforms for needy learners
- Offer HIV/ AIDS prevention programmes
- Offer food parcels to alleviate poverty
- Donate money to social events that benefit the community directly.
- Fund additional lessons, for example Mathematics and Science

Identification of examples CSI projects from the scenario

- School uniforms for needy learners
- HIV/ AIDS prevention programmes
- Food parcels to alleviate poverty
- Donating money to social events that benefit the community directly
- Funding of additional lessons, for example Mathematics and Science

Impact of CSR/CSI on businesses

Advantages/Positives

- May attract experienced employees which could increase productivity.
- Improved image as the business looks after employees.
- A business may have a competitive advantage, resulting in an improved reputation.
- Promotes customer loyalty resulting in more sales.
- CSI projects may be used as a marketing strategy to promote their products.
- The business enjoys the support of communities.
- CSI projects promote teamwork within businesses.
- CSI helps to attract investors because of increased profits.
- Gives businesses tax advantages such as tax reduction.
- Assists in solving socio-economic issues like poverty and unemployment.
- Employees feel as if they are making a difference in working for the business.
- Improves the health of its employees through focused CSI projects.

AND/OR

Negatives/Disadvantages

- Customers may not buy their products/services resulting in a decrease in sales.
- Small and medium enterprises find it difficult to implement CSI programmes.
- Detailed reports must be drawn up, which can be time consuming.
- Social involvement is funded from business profits which could have been used to reduce prices.
- CSI activities distract business focus from its core business functions.
- Businesses find it difficult to adhere to legislation governing CSI.
- It is difficult to accurately measure the effectiveness of social investment.
- Most managers are not trained to handle social programmes.
- Employees may spend more time working on CSI projects instead of focusing on their core duties.
- Shareholders may receive less dividends, as some profits are spent on CSI.

NOTE: that the impact of CSR and CSI on business are the same

Impact of CSR/CSI on the community

Positives/Advantages

- Community skills can be improved through the provision of bursaries.
- Better educational facilities are established in poor communities.
- The standard of living of the community is uplifted/quality of life of communities is improved.
- Investing in the medical infrastructure, will improve the health of communities.
- Socio-economic issues are attended to which will improve the welfare of the community.
- Training opportunities in the community increase the possibility of appointments of members of the community.
- Implementing developmental programmes in the community improves entrepreneurial skills of communities.

AND/OR

Negatives/Disadvantages

- Businesses are not always equipped to address social problems.
- Communities tend to be dependent on CSR programmes and struggle to take their own initiatives.
- Distribution of scarce resources to selected beneficiaries in the community may cause problems such as discrimination.
- Some businesses only participate in CSR initiatives to raise profit and do not really care for the community in which they operate.
- Businesses cannot meet the longer term needs of the society/Business cannot deliver sustainable CSR programmes.
- The benefits of the programmes may not filter to the intended persons within the community.
- Spending money on CSR programmes means the business has to recover expenses through higher prices which have a negative impact on the economy.
- Businesses tend to focus on CSR programmes that does not directly benefit the community.
- Less money is available for community projects during unfavourable economic conditions.
- Consumers are not easily convinced that a business is acting in the best interest of the community and the environment.
- A business often appears to benefit more from the CSR expenditure than the perceived benefits to the communities.

NOTE: that the impact of CSR and CSI on the community are the same

Differences between Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)

CORPORATE SOCIAL RESPONSIBILITY	CORPORATE SOCIAL INVESTMENT
<ul style="list-style-type: none"> • The intention is to change business practices. 	<ul style="list-style-type: none"> • Actively committing money and resources to uplift the community.
<ul style="list-style-type: none"> • Focus is on increasing image and profits. 	<ul style="list-style-type: none"> • Focus is on the upliftment of community without return on investment.
<ul style="list-style-type: none"> • Ensure that all internal CSI policies/practices include stakeholders' interests/environmental issues. 	<ul style="list-style-type: none"> • Ensure that CSI projects are relevant to the needs of communities.
<ul style="list-style-type: none"> • Often intended as a marketing initiative. 	<ul style="list-style-type: none"> • Intended to benefit and uplift communities through social development.
<ul style="list-style-type: none"> • Projects are usually linked to the business, e.g., a manufacturing business offering to train the unemployed. 	<ul style="list-style-type: none"> • Projects are external to the business and have a strong developmental approach.

TOPIC 14: PRESENTATION AND DATA RESPONSE

PRESENTATION

Learners should develop the following skills:

- 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, e.g., maintain eye contact/use visual aids effectively/move/do not speak fast/use pauses effectively, etc. (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.

DATA RESPONSE

- Outline/Explain aspects that must be considered when designing a multimedia presentation, e.g., start with the text, select the background/choose relevant images/create graphs, etc.
- Give examples of non-verbal presentations, e.g., written reports, scenarios, types of graphs (e.g., line, pie, bar charts etc.) as well as other non-verbal types of information such as pictures and photographs.
- Explain/Discuss /Evaluate the impact of the following visual aids:
 - PowerPoint/Data projector
 - Overhead projectors/Transparencies
 - Hand-outs/flyers/brochures
 - Flip charts
 - Interactive whiteboard/Smart boards
 - Posters/signs/banners/portable advertising stands/flags
- Identify visual aids from given scenarios/ statements.

TERMS AND DEFINITIONS

TERM	DEFINITION
Presentation	The act of communicating information/data to an audience/stakeholder in an organisation.
Data Response	Interpretation and analysis of information provided.
Feedback	Information about a presentation by an audience which is used as a basis for improvement.

Non-verbal presentation	Presentation of information to an audience without using spoken words.
Visual aids	Refers to charts/pictures/images that help to clarify a point/enhance a presentation.
Tables	A set of facts/figures systematically displayed, especially in columns.
Graphs	Two-dimensional drawing showing a relationship between two set of variables by means of a line/curve/bars.
Diagrams	A drawing showing the appearance/structure/workings of data in a schematic representation.
Flipchart	A large pad of paper, bound so that each page can be turned over at the top to reveal the next page, used on a stand.
Hand-outs	Printed information provided to the audience to accompany a presentation.

Factors that must be considered when preparing for a presentation. (Before the presentation)

- Clear purpose/intentions/objectives and main points of the presentation.
- Main aims captured in the introduction/opening statement of the presentation.
- Information presented should be relevant and accurate.
- Fully conversant with the content/objectives of the presentation.
- Background/diversity/size/pre-knowledge of the audience to determine the appropriate visual aids.
- Prepare a rough draft of the presentation with a logical structure/format with an introduction, body and conclusion.
- The conclusion must summarise the key facts and how it relates to the objectives/shows that all aspects have been addressed.
- Create visual aids/graphics that will consolidate the information/facts to be conveyed to the board of directors.
- Find out about the venue for the presentation, e.g., what equipment is available/appropriate/availability of generators as backup to load shedding.
- Consider the time frame for presentation, e.g., fifteen minutes allowed.
- Rehearse to ensure a confident presentation/effective use of time management.
- Prepare for the feedback session, by anticipating possible questions/comments.

Factors that must be considered by the presenter while presenting. (During the presentation)

- Establish credibility by introducing yourself as the presenter at the start.
- Mention/Show 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.
- Avoid hiding behind equipment.

- Do not ramble on at the start, to avoid losing the audience/their interest.
- Capture listeners' attention/Involve the audience with a variety of methods, e.g. short video clips/sound effects/humour, etc.
- 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/anecdotes/examples/Use visual aids effectively.
- Use appropriate gestures, e.g., use hands to emphasize points.
- Speak with energy and enthusiasm.
- Pace yourself/Do not rush or talk too slowly.
- Keep the presentation short and simple.
- Conclude/End with a strong/striking ending that will be remembered.
- Ensure that the audience will leave with/take away specific information/benefits.
- Include a statement/quote that will allow a professional/striking ending.
- Manage time effectively to allow time for questions.

Factors that must be considered after making the presentation/ professional handling of feedback

- 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/rephrase questions if uncertain.
- He 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 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 himself 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.

Areas of improvement in the next presentation

- The presenter should revise objectives that were not achieved.
- Use humour appropriately.
- 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.

DATA RESPONSE

Aspects that must be considered when designing a multimedia presentation

- Start with the text which forms the basis of the presentation.
- Select the background to complement/enhance the text.
- Choose images that may help to communicate the message.
- Include/Create graphics to assist the information which is conveyed.
- Add special effects/sound/pictures/animation to make it interesting for the audience.
- Create hyperlinks to allow quick access to other files/documents/video clips.
- Use legible font and font size so that it is easy to see/read.
- Keep slides/images/graphs/font simple by not mixing different styles/colours.
- Make sure there are no language and spelling errors.
- Use bright colours to increase visibility.
- Structure information in a logical sequence so that the audience can easily follow the content of the presentation.
- Limit the information on each slide by using key words and not full sentences.

Examples of non-verbal presentation

- Tables
- Graphs
 - Bar graph
 - Line graph
 - Histogram
 - Pie graph
- Diagrams
- Illustrations/Pictures/Photographs/Scenarios
- Written/Business reports
- Flip charts
- Handouts
- Slide shows

IMPACT OF VISUAL AIDS

Data Projector/PowerPoint

Positives/Advantages

- Graphic programmes have the capacity to convey ideas and support what the presenter says.
- Easy to combine with sound/video clips.
- Simple/Less cluttered slides may capture the interest of the audience.
- Video clips can provide variety and capture the attention of the audience.
- Variation of colour/background/sound immediately captures the attention of the audience and retain their interest throughout the presentation.

- Slides should only be used where they can enhance the facts or summarise information.

AND/OR

Negatives/Disadvantages

- Unprofessional handling of the data projector/PowerPoint presentation material.
- May lead to irritation/may result in the audience losing interest.
- Less effective to people with visual impairments.
- Simply reading off the slides makes a presentation boring/meaningless. ▮ Unable to show slides without electricity/data projector.

Transparencies/ Overhead projectors

Positives/Advantages

- Summaries/Simple graphics/Diagrams/Processes may be explained easily on transparencies.
- It can be prepared manually (OHP pens) or electronically on computer/copier.
- A useful replacement/back-up if computer/electronic equipment fail or are not available.
- Effective transparencies/projections should be clear and visible, e.g., large print, few words/lines.
- Effective transparencies/projections should be clear and visible, e.g., large print, few words/lines. ▮ OHP transparencies can be used to reflect colour images.
- It may be an effective/useful reminder to the presenter of all the points to be covered.

AND/OR

Negatives/Disadvantages

- Transparencies that are not well ordered/ organised, may convey an unprofessional image.
- It can be easily replaced by a PowerPoint presentation.
- Not easy to combine with sound/audio.
- Used most effectively when lights are dimmed/switched off which make it difficult for the audience to make their own notes.

Hand-outs/flyers/brochures

Positives/Advantages

- Meaningful hand-outs may be handed out at the start of the presentation to attract attention/encourage participation.
- Notes/Hard copies of the slide presentation can be distributed at the end of the presentation as a reminder of the key facts of the presentation.
- Extra information, e.g., contact details/price lists may be handed out to promote the services of the business.
- Useful information for improving the next presentation may be obtained, when the audience completes feedback questionnaires after the presentation.
- It is easy to update hand-outs with recent information or developments.
- Notes may be compared with electronic slides to validate the accuracy.

AND/OR

Negatives/Disadvantages

- Hand-outs cannot be combined with audio material, so it only focuses on the visual aspects of support material.
- Handing out material at the start of the presentation may distract/lose audience attention.
- As it only summarises key information, some details might be lost/omitted.
- Printed material is expensive, and it is easy to lose hard copies.
- Increases the risk of unauthorised duplication/use of confidential information.

Impact of flip charts

Positives/Advantages

- Mainly used for a small audience to note down short notes/ideas.
- In a sales pitch it may be useful during the feedback session to summarise main facts/aspects that the presenter needs to follow up.
- Very effective in brainstorming sessions as suggestions are summarised or listed.

AND/OR

Negatives/Disadvantages

- There may not be enough time during the presentation to make written notes, so some ideas may not be listed.
- Handwriting may be illegible/ untidy which may not contribute to a professional image/presentation.
- It may not always be possible to prepare flip charts before the presentation, so it can become cluttered/ chaotic.

Interactive whiteboard/Smart boards

Positives/Advantages

- Images can be projected directly from a computer, so no external projector/devices necessary.
- Special pens allow the presenter to write on the board while prepared images are displayed.
- Additional notes that were added during the presentation can be captured on computer after the presentation.
- It can be controlled by the touch of a finger, so the presenter can move away from the computer during the presentation.
- Easy to combine with sound/other visual aids.
- Useful to capture feedback and new ideas.

AND/OR

Negatives/Disadvantages

- Should only be used by a presenter who knows the unique features of the interactive whiteboard/who can use it to its full potential.
- Cannot be connected to any computer as special, licensed software is needed to be able to use it.

- Technical challenges may render it ineffective, e.g., loss of signal while using it.

Posters/signs/banners/portable advertising stands/flags

Positives/Advantages

- It should be colourful/eye-catching/creative to support the core message of the presentation.
- May contain large illustrations/pictures/features of the products/key concepts to emphasise detail, e.g., creative jewellery/unique features of the jewellery.
- Can make impact when placed strategically in/outside the venue.
- Useful in promoting the logo/vision of the business.

AND/OR

Negatives/Disadvantages

- May overpower/draw attention away from the presentation if it is too big/not placed correctly.
- May not always be useful in a small venue/audience as it can create a 'crowded' atmosphere.
- Only focuses on visual aspects as it cannot always be combined with sound/audio.

BUSINESS VENTURES

PAPER 2

TOPIC 15: FORMS OF OWNERSHIP

Learners should be able to:

- Explain/Discuss the characteristics of each form of ownership.
- Explain the meaning of limited liability and unlimited liability.
- **Recap:** Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/disadvantages) 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:
 - **Taxation:** The tax requirements of each form of ownership determine the impact of taxation on business success/failure.
 - **Management:** Ownership impacts on management functions which determine the success/failure of the business.
 - **Capital:** refers to the ability to obtain capital from various sources (e.g., own/borrowed capital). The amount of capital that can be sourced will also impact on business success/failure.
 - **Division of profits:** refers to how profit is divided between owner(s)/shareholders/investors.
 - **Legislation/Legal requirements** for establishment/starting a business impact on the establishment costs and time before a business can legally do business.

TERMS AND DEFINITIONS

TERM	DEFINITION
Form of ownership	The legal position of the business and the way it is owned.
Continuity	Continue to exist even if a change of ownership takes place, e.g a member or shareholder dies or retires.
Surety	If a person or business accepts liability for the debt of another person or business.
Securities	Shares and bonds issued by a company.
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.
Memorandum of Incorporation (MOI)	The document that sets out the rights, responsibilities and duties of shareholders and directors. (serves as a constitution of a company).
Sole Trader /Sole proprietor	A business is owned and controlled by one person who takes all the decisions, responsibility and profits from the business they run.
Partnership	An agreement between two or more parties that have agreed to finance and work together in the pursuit of common business goals.

Co-operative society	Autonomous association of persons united voluntarily to meet their common economic/ social needs/aspirations through a jointly owned and democratically controlled enterprise.
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Company	A company is a legal person who has capacity and powers to act on its own.
Profit Companies	A company incorporated for the purpose of financial gain for its shareholders.
Non-profit company	A non-profit company is an association incorporated not for gain.
Public company	A public company is a voluntary association of ONE or more persons, governed by the company Act 71 of 2008, incorporated in terms of the Memorandum of Incorporation.
Private company	A private company is a voluntary association of 1 or more persons.
Personal liability company	A personal liability company is a voluntary association of 1 or more person.
State-Owned company	A state-owned company (SOC) is a legal entity that is created by the government in order to participate in commercial activities on its behalf.
Partnership Article	A document that contains exhaustive provisions with regards to the matters concerning the business and the partners.
Prospectus	Prospectus is a document inviting the public to buy securities/shares.
Annual General Meeting (AGM)	A meeting held once a year where the shareholders receive a report stating how well the company has done.
Directors	People elected to the board of a company by the shareholders to represent the shareholders' interests.

CHARACTERISTICS, ADVANTAGES AND DISADVANTAGES OF FORMS OF OWNERSHIP

SOLE PROPRIETOR

CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• The owner has a personal interest in the management and the services that is rendered.• It is easy to establish as there are no legal formalities in forming the business.• There are no legal requirements regarding the name of the business.• The owner has unlimited liability/The owner is personally liable for the debt of the business.• A sole trader has limited company for expansion and lacks continuity of existence.• The business has no legal personality and therefore has no continuity/ Continuity depends on the life and health of the owner.	<ul style="list-style-type: none">• Owner makes all decisions.• Requires little capital to start.• All profits belong to the owner• Simple management structure.• Can easily adapt to the needs of the client/customer.• No legal process and requirements.• The assets of the business belong to the owner.• There is personal encouragement and personal contact between the owner and customers.	<ul style="list-style-type: none">• Unlimited liability which means the owner is responsible for all debts incurred.• Cash flow is often a problem.• Growth of business can be restricted due to lack of capital.• Not a legal entity and no continuity• Difficult to attract highly skilled and knowledgeable employees.• The owner is responsible for providing all the capital needed.• If the owner does not have enough knowledge/experience the business may fail.

PARTNERSHIP

CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• An agreement between two or more people who combine labour, capital and resources towards a common goal.• No legal requirements regarding the name of the business.• Partners have unlimited liability and are jointly and severally liable for the debts of the business.• Profit is shared according to the partnership agreement.• Partnership does not pay tax partners pay personal income tax.• Partners share responsibilities and they are all involved in decision making.• No legal formalities to start, only a written partnership agreement is required.• Partnership has no legal personality and therefore has no continuity.	<ul style="list-style-type: none">• The partners able to put their knowledge and skills together to collectively make the best decisions.• The workload and responsibility are shared between partners.• Partners are able to share resources.• Partners are only required to pay tax in their personal and individual capacity.• The partners have a personal interest in the business.• Can bring in extra partners at any time.• Attract prospective employees with the option or incentives of becoming a partner.	<ul style="list-style-type: none">• A partnership has unlimited liability as partners' personal belongings can be sold to pay off debts.• Each partner is legally responsible for the joint liability of the partnership.• Different personalities and opinions of partners can lead to conflict or disagreements.• Partners might not all contribute equally.• Loss in profits and stability of the business can occur if a partner resigns/dies/loses interest in the partnership or is declared bankrupt.• There can be lack of capital and cash flow.• The partnership has limited/lack of continuity, as a new partnership must be formed when a partner dies/leaves.• The wrongful actions of one partner will affect all other partners/Partners serve as agents for a partnership and bind all other partners through their actions• If the profits of the partnership are too big, the partners may end up paying high income tax in their personal capacity.• Decision making can be delayed as all parties should be consulted/In a large partnership, partners may struggle to agree on business decisions.• Profits are divided between partners according to their partnership agreement and not according to income generated.

PRIVATE COMPANY

CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• Requires one or more directors and one or more shareholders.• It needs a minimum of one shareholder and there is no limit on the number of shareholders that a private company may have.• Register with the registrar of companies by drawing up Memorandum of Incorporation.• The company name ends with letters (PTY) Ltd.• A private company is not allowed to sell shares to the public.• Investors put capital in to earn profit from shares.• The company has a legal personality as well as unlimited continuity.• Profits are shared in the form of dividends in proportion to the share held.• Shareholders have a limited liability and will not lose their initial capital invested if the business goes bankrupt. •• Shareholders have limited liability and a separate legal entity.• Raises capital by issuing shares to its shareholders.• Profits are shared in the form of dividends in proportion to the number of shares held.	<ul style="list-style-type: none">• More opportunities to pay less taxation.• Good long-term growth opportunities.• Own legal identity and shareholders have no direct legal implications/ limited liability.• Board of directors with expertise /experience can be appointed to take decisions.• Not required to file annual financial statements with the commission.• It is a legal person and can sign contracts in its own name.• The new Act forces personal liability on directors who knowingly participated in carrying out business in a reckless/fraudulent manner.• Financial statements are private and not available to the general public.• A company has continuity of existence.• It is possible to sell a private company as it is a legal entity in its own right.• It can easy raise capital by issuing shares to its members.	<ul style="list-style-type: none">• Requires a lot of capital.• The more shareholders, the less profits.• Directors do not have a personal interest.• Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company.• Difficult and expensive to establish as the company is subjected to many legal requirements.• Pays tax on the profits of the business and on declared dividends/Subject to double taxation.• Must prepare annual financial statements.

PERSONAL LIABILITY COMPANY

Definition

- Very similar to a private company, the difference is that the directors of a Personal Liability company are jointly and severally liable for all the debts and liabilities of the company. This means that the directors have unlimited liability.
- The name of the personal liability company ends in INC and the name of the private company ends in (PTY) Ltd.

Characteristics of a personal liability company

- The company name must end with letters INC
- Directors have unlimited liability, and they are jointly liable for the debts of the business even if they are long out of office.
- The memorandum of Incorporation should state that it is a personal liability company.
- They must at least have one director on their board of directors.

NOTE: Other characteristics of a personal liability company are the same as the private company except the above mentioned two characteristics.

IMPACT OF A PERSONAL LIABILITY COMPANY

Advantages and/or disadvantages

NOTE:

- The advantages of a personal liability company are the same as the private company.
- The disadvantages are also the same as the private company **except** the directors of the personal liability company have unlimited liability.

PUBLIC COMPANY

Definition

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

CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• A minimum of one person is required to start a public company.• Requires three or more directors and three or more shareholders.• Register with the Registrar of Companies by drawing up Memorandum of Incorporation.• The company name ends with letters Ltd.• Has legal personality and therefore has unlimited continuity• Raises capital by issuing shares to the public and borrowing capital by issuing a debenture.• A prospectus is issued to the public to raise capital.• Shareholders have a 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 as well as unlimited continuity.• A public company is required to hold an AGM (Annual General Meeting).• Auditing of financial statements is compulsory and audited statements are available to shareholders and the public.• Profits are shared in the form of dividends in proportion to the share held.	<ul style="list-style-type: none">• The business has its own legal identity.• Easy to raise funds for growth through the sale of shares.• Shareholder is only liable for the amount which is invested/Shareholders have limited liability.• Can appoint a knowledgeable board of directors.• Buy and sell shares freely.• Shareholders can sell/transfer their shares freely.• The public has access to the information and this could motivate them to buy shares from a company.• Additional shares can be raised by issuing more shares or debentures.• Strict regulatory requirements protect shareholders.	<ul style="list-style-type: none">• Must disclose all financial information.• Large amount of funds are spent on financial audits.• Stocks have to be traded publicly.• A full report must be submitted to the major shareholders each year.• Difficult and expensive to establish as the company is subjected to many legal requirements.• The more shareholders, the less profit.• Shareholders may be allowed little or no input into the affairs of the company.• Due to legislation, decisions take longer and there may be disagreements.• Financial affairs must be known to publicly, this information could be used to competitors' advantage.

STATE-OWNED COMPANY

Definition

- 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	ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• Requires three or more directors and one or more shareholders.• Register with the Registrar of Companies by drawing up Memorandum of Incorporation.• It is owned by the government and operated for profit.• SOC is listed as a public company.• The name ends with letters SOC.• State-owned companies support private businesses by providing infrastructure such as communication service /Post office and supply of electricity/Eskom.	<ul style="list-style-type: none">• Profits may be used to finance other state departments.• Offer essential services which may not be offered by the private sector.• Prices are kept reasonable/Create sound competition with the private sector to make services affordable to more citizens.• Wasteful duplication of services is eliminated.• Planning can be coordinated through central control.• Generates income to finance social programmes.• Jobs are created for all skills levels.	<ul style="list-style-type: none">• May result to poor management as government is not always as efficient as the private sector.• Inefficiency due to the size of the business.• Often rely on government subsidies.• A lack of incentive for employees to perform if there is no absence of other motivator such as productivity bonuses.• Government can lose money through the business.• A lack of incentive for employees to perform if there is no share in the profit.• Losses must be met by the taxpayer.• Shares are not freely tradable making it difficult to raise capital.• SOC must follow strict regulations for operations to raise capital.• Financial statements must be audited.

DIFFERENCES BETWEEN THE PRIVATE AND PUBLIC COMPANY

PRIVATE COMPANY	PUBLIC COMPANY
- May not offer shares to the general public.	- Trades its shares publicly on the Johannesburg Securities Exchange.
- Shares are not freely transferable	- Shares are freely transferable.
- Minimum of one director.	- Minimum of three directors.
- Name must end with Proprietary Limited/(Pty) Ltd.	- Name must end with Limited/Ltd.
- Annual financial statements need not be audited and published.	- Annual financial statements need to be audited and published.
- Does not need to publish a prospectus as it cannot trade its shares publicly.	- Have to register and publish a prospectus with the Companies and Intellectual Property Commission/CIPC.
- The company is not required to raise the minimum subscription/ issue minimum shares.	- Must raise a minimum subscription prior to commencement of the company.

DIFFERENCES BETWEEN THE PRIVATE AND A PERSONAL LIABILITY COMPANY

PRIVATE COMPANY	STATE OWNED COMPANY
<ul style="list-style-type: none">• The name ends with (PTY) Ltd• The directors are not personally liable for the debts of the business.	<ul style="list-style-type: none">• The name ends with INC• The directors are personally liable for the debts of the business.

NON-PROFIT COMPANIES

Definition

- A non-profit company/NPO is not formed with intent to make a profit but established for public benefit.

Characteristics of non-profit companies

- The main aim 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 in NPC.
- All profits must be used for the primary objective of the non-profit company.
- It must prepare the Memorandum of Incorporation.
- Qualifying NPCs are granted tax-exempt status.

IMPACT OF NON-PROFIT COMPANIES

Advantages and/or disadvantages of non-profit companies

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">● Proceeds /surplus funds are used solely for the primary objective of the organisation/further the goals of the business.	<ul style="list-style-type: none">● Need professional assistance to set up this organisation
<ul style="list-style-type: none">● They provide social services to various communities.	<ul style="list-style-type: none">● Does not generate enough capital to cover their expenses.
<ul style="list-style-type: none">● Donors receive tax deductions which motivates them to invest in a non-profit company.	<ul style="list-style-type: none">● Donations may not always be enough.
<ul style="list-style-type: none">● The liability of the members is limited	<ul style="list-style-type: none">● Assets are not distributed to the members upon closing down.
<ul style="list-style-type: none">● Has continuity of existence	<ul style="list-style-type: none">● Creating a non-profit company takes time/effort/money.
<ul style="list-style-type: none">● Most of the income of a non-profit company is free from income taxes.	<ul style="list-style-type: none">● Obtaining grants can be a slow and tiring process.
<ul style="list-style-type: none">● Can receive grants/grants/aid	<ul style="list-style-type: none">● Incorporators cannot take along the assets accumulated by the NPC if they decide to leave.
	<ul style="list-style-type: none">● They are not allowed to pay bonuses to members.

COOPERATIVES

Definition

- A cooperative is a traditional way of a group of interested parties getting together and sharing resources/infrastructures and costs to achieve a better outcome.

Characteristics of cooperatives

- Minimum of five members is required to start a cooperative.
- Register with the Registrar of Companies.
- Legal entity and can own land and open bank accounts.
- Members own and run the business together and share equally in its profits.
- Decisions are taken democratically
- They are motivated by service rather than profit
- Must register with the Registrar of Cooperatives Societies
- The word 'Cooperative Limited' must appear at the end of its name.
- They are managed by a minimum of three directors.
- The objective of a co-operative is to create mutual benefit for the members.

IMPACT OF COOPERATIVES

Advantages and/or disadvantages

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• Access to resources and funding	<ul style="list-style-type: none">• Decisions are often difficult to reach and time consuming.
<ul style="list-style-type: none">• Decision making is by a group	<ul style="list-style-type: none">• Difficult to grow a co-operative.
<ul style="list-style-type: none">• Each member has an equal share in the business.	<ul style="list-style-type: none">• Very few promotion positions for staff.
<ul style="list-style-type: none">• A co-operative can appoint its own management.	<ul style="list-style-type: none">• It can be difficult to get a loan because their main objective is not always to make a profit.
<ul style="list-style-type: none">• Members have limited liability	<ul style="list-style-type: none">• The success of cooperatives depends on the support of the members.
<ul style="list-style-type: none">• The decisions are democratic and fair	<ul style="list-style-type: none">• Shares are not freely transferable
<ul style="list-style-type: none">• Members are motivated because they are working for themselves	<ul style="list-style-type: none">• All members have one vote regardless of the number of shares held.
<ul style="list-style-type: none">• Can gain extra capital by asking its members to buy shares.	
<ul style="list-style-type: none">• Co-operatives have continuity of existence	
<ul style="list-style-type: none">• Resources of many people are pooled together to achieve common objectives	
<ul style="list-style-type: none">• Profits are shared equally amongst members.	

Meaning of Limited Liability

- Losses are limited to the amount that the owner invested in the business.
- The owner's personal assets are protected against the debts of the business.
- Applicable to forms of ownership/ companies that have a separate legal entity/personality.

Meaning of Unlimited Liability

- The liability of the owners to pay debts/ claims is not limited to the business only.
- The owner's personal assets may be seized to pay for the debts of the business.
- Applicable to a sole trader and partnership as they do not have a separate legal entity/personality.

CRITERIA THAT COULD CONTRIBUTE TO SUCCESS OR FAILURE OF EACH FORM OF OWNERSHIP

SOLE PROPRIETOR

FACTOR	SUCCESS	AND/OR	FAILURE
Management	<ul style="list-style-type: none"> One owner so there are no disagreements. Can make quick decisions without having to consult others. 		<ul style="list-style-type: none"> Owner has to do all the administration, management and decision-making in the business. Owners has to rely on own decisions and could make incorrect ones.
Taxation	<ul style="list-style-type: none"> Owner only taxed on profits in personal capacity. Depending on how much income the owner earns, his/her tax rate may be lower than the company tax rate 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. 		<ul style="list-style-type: none"> If profits get too big may end up paying high tax in personal capacity. Failure by the owner to comply with personal income tax regulations could lead to substantial financial penalties imposed by SARS.
Capital	<ul style="list-style-type: none"> Capital can be carefully spent and managed The owner may be able to borrow money from a financial institution, especially if he/she has assets that can be used as surety for a loan. 		<ul style="list-style-type: none"> Profits may not be large enough for expansion. Cannot appoint people with large salaries Owner responsible for any capital borrowed.
Division of profits	<ul style="list-style-type: none"> Owner receives all profits from the business which can lead to capital growth. The owner may use profit to expand the business. 		<ul style="list-style-type: none"> Owner needs to budget carefully so that business debts are covered. If the owner does not make a profit, the income and livelihood of the owner may be severely affected. The owner is personally liable for the loss of the business. Profits may not cover all business debts/Owner may decide not to expand.
Legislation	<ul style="list-style-type: none"> It is easy/inexpensive to start. Unlimited liability may encourage the owner to work harder to ensure the success of the business. There are limited regulatory requirements regarding the name of the business. It is not compulsory to have financial statements audited. 		<ul style="list-style-type: none"> Unlimited liability Personal debts and business debts are one Must comply with relevant municipal regulations or it could close down. The owner is personally liable for the business debt; he/she may be reluctant to take Business may only qualify for more loans if they are licenced/Loans are not easily obtainable.

PARTNERSHIP

FACTOR	SUCCESS	AND/OR	FAILURE
Management	<ul style="list-style-type: none"> Partners are actively involved in management and may use the ideas of other partners. Not all partners need to be actively involved in management and would rather appoint competent managers Partners have access to expertise of other partners when difficult decisions have to be made 		<ul style="list-style-type: none"> Decision making can be time-consuming as all partners have to be in agreement. Some management tasks may be neglected, as one partner may leave it to others to complete. Partners may disagree on how to run the business, which may lead to tension between them. Partners are agents of the partnership and bad management decisions may be forced onto other partners. Different personalities/opinions could lead to conflict/ disagreements.
Taxation	<ul style="list-style-type: none"> Partnerships pay VAT only on relevant products sold/services rendered which reduces tax administration. The partnership does not pay income tax, only the partners in their personal capacities. 		<ul style="list-style-type: none"> High-earning partners pay more tax, which may discourage other partners from joining the partnership. Partners may withdraw more cash to reduce their tax burden which may cause cash flow problems for the partnership.
Capital	<ul style="list-style-type: none"> Capital can be carefully spent and managed. More than one partner contributing to capital. 		<ul style="list-style-type: none"> Partners may not all have capital to put into business when needed. Unequal inputs as some partners put in expertise instead of cash
Division of profits	<ul style="list-style-type: none"> Partners share profits according to their contributions. 		<ul style="list-style-type: none"> Amount of work done may not be equal to the amount of profit that each partner receives.
Legislation	<ul style="list-style-type: none"> Easy and cheap to establish, as partners must draw up partnership agreement. Partners are more motivated to make a success because of their personal possessions are at risk. No regulatory requirements regarding the name of the business. Only subjected to the provisions of the Income Tax Act as compared to companies. 		<ul style="list-style-type: none"> Unlimited liability/ partners are jointly and severally liable for the debts of the business. If one partner dies or retires, the remaining partners need to draw up a new agreement. Oral agreements between partners can cause conflict between partners. A partnership is not a legal entity and cannot sue or be sued.

PRIVATE COMPANY

FACTOR	SUCCESS	AND/OR	FAILURE
Management	<ul style="list-style-type: none"> Managed at least by one competent highly skilled director. The management of the company can improve since directors are accountable to shareholders. Shareholders can vote for/appoint the most capable directors to manage their company 		<ul style="list-style-type: none"> Directors may not have a direct interest in the company, which can hamper growth and profit maximization. Directors' fees increase the company's expenses which reduces net profit. Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director. Large management structures can result in decision-making taking time. Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration.
Taxation	<ul style="list-style-type: none"> Can obtain tax rebates if they are involved in SCI projects. Can obtain government tenders and renew their licenses if they do not evade tax. 		<ul style="list-style-type: none"> Subject to double taxation e.g., shareholders pay secondary tax this can have a negative impact to a company that is already financially struggling.
Capital	<ul style="list-style-type: none"> Large amount of capital can be raised since there is no limit on the number of shareholders. The company can access long term capital and therefore has good long term growth opportunities. Even though shares are not freely transferable, large private companies can raise considerable amount of capital. More capital can be raised by issuing shares to shareholders. 		<ul style="list-style-type: none"> It cannot grow into a very large business since it cannot invite the public to buy shares. Restrictions on transferability of shares may not attract financially strong investors. Large amount of capital cannot be obtained as capital contribution is only limited to private shareholders.
Division of profits	<ul style="list-style-type: none"> High profits and good returns to shareholders indicate the success of a company, which increases the value of shares. Profits generated can be re-invested to expand business operations. Shareholders receive profits according to the type and number of their shares. 		<ul style="list-style-type: none"> Shareholders may sell their shares when dividends are low, resulting in a drop in share prices. Dividends are not always paid out which may discourage new investors.
Legislation	<ul style="list-style-type: none"> Procedures to form a private company have been simplified by the new Companies Act 71 of 2008. Limited liability allows for greater risk taking, which may lead to growth of the business. Auditing of financial statements (if required) gives shareholders the 		<ul style="list-style-type: none"> Formation procedures are time consuming/complicated/ expensive, as many legal documents need to be prepared/submitted High formation/establishment expenses require large start-up capital.

	<p>assurance that the business is being properly managed and supports raising additional finance.</p> <ul style="list-style-type: none"> • There is no longer a limit on the number of shareholders in a private company. • A private company can benefit from government programmes if they comply with the relevant legislation. • Personal liability of shareholders does not affect the company's assets. • Companies which comply with legislation build a positive image/may attract investors. • Continuity of existence due to the legal personality of the company. 	<ul style="list-style-type: none"> • Annual audit of financial statements (if required) is costly. • If a private company does not comply with legislation, its licence maybe withdrawn by the Companies and Intellectual Property Commission (CIPC).
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PUBLIC COMPANY

FACTOR	SUCCESS	AND/OR	FAILURE
Management	<ul style="list-style-type: none"> • Managed at least by one competent highly skilled director. • The management of the company can improve since directors are accountable to shareholders. • Shareholders can vote for/appoint the most capable directors to manage their company. 		<ul style="list-style-type: none"> • Directors may not have a direct interest in the company, which can hamper growth and profit maximization. • Large management structure can result in decision making taking time. • Directors' fees increase the company's expenses which reduces net profit. • Management may open to legal challenges if their reports do not comply with King Code 111. • Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director. • Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration.
Taxation	<ul style="list-style-type: none"> • Can obtain tax rebates if they are involved in SCL projects. • Can obtain government tenders and renew their licenses if they do not evade tax. 		<ul style="list-style-type: none"> • -Subject to double taxation e.g. shareholders pay secondary tax this can have a negative impact to a company that is already financially struggling
Capital	<ul style="list-style-type: none"> • Can raise large amounts of capital as shares/ debentures can be sold to the public/shareholders. • Share capital clause in the Memorandum of Incorporation (MOI) 		<ul style="list-style-type: none"> • Growth is limited if sufficient capital cannot be raised. • Large amounts of capital required to start a public company. • Raising extra capital may be difficult if the economic climate is

	<p>may be changed to issue more shares</p> <ul style="list-style-type: none"> • A public company's shares are listed on the JSE which gives the company exposure to more potential investors. 	<p>unfavourable/Share prices change all the time and they may lose value.</p> <ul style="list-style-type: none"> • An increase in the number of shares issued may lead to more dividends paid out/less retained income from company profits.
Division of profits	<ul style="list-style-type: none"> • High profits and good returns to shareholders indicate the success of a company, which increases the value of shares. • Profits generated can be re-invested to expand business operations. • Shareholders receive profits according to the type and number of their shares. 	<ul style="list-style-type: none"> • Shareholders may sell their shares when dividends are low, resulting in a drop in share prices. • Dividends are not always paid out which may discourage new investors.
Legislation	<ul style="list-style-type: none"> • The company and its owners (shareholders) are separate entities, which may encourage more people to join the company. • Limited liability allows for greater risk taking, which may lead to growth of the business. • Auditing of financial statements, gives shareholders the assurance that the business is being properly managed and supports raising additional finance. 	<ul style="list-style-type: none"> • Formation procedures are time consuming/complicated/ expensive, as many legal documents need to be prepared/submitted. • High formation/establishment expenses require large start-up capital. • Annual audit of financial statements is costly. • If a public company does not comply with legislation, its licence maybe withdrawn by the Companies and Intellectual Property Commission (CIPC).

PERSONAL LIABILITY COMPANY

FACTOR	SUCCESS	AND/OR	FAILURE
Management	<ul style="list-style-type: none"> • PLC is managed by a competent board of directors who may be experts in their fields. • Quick decisions can be made even if there is only one director. • Shareholders can vote for/appoint the most capable directors to manage their company. 		<ul style="list-style-type: none"> • Directors may not have a direct interest in the company, which can hamper growth and profit maximization • PLC and its shareholders are compelled to budget a larger amount for directors' remuneration to attract the best directors. • Directors' fees increase the company's expenses which reduces net profit.
Taxation	<ul style="list-style-type: none"> • Can obtain tax rebates if they are involved in SCL projects. • Can obtain government tenders and renew their licenses if they do not evade tax. • PLC only pays tax after business expenses have been deducted. • Companies and shareholders are taxed separately/double taxation. • The company pays tax at a fixed rate which can be lower than that of partnerships. • Image of the business is promoted and attracts investment when companies comply with tax regulations/laws. 		<ul style="list-style-type: none"> • Subject to double taxation e.g., shareholders pay secondary tax this can have a negative impact to a company that is already financially struggling.
Capital	<ul style="list-style-type: none"> • Capital can be increased by getting more shareholders. 		<ul style="list-style-type: none"> • It cannot grow into a very large business since it cannot invite the public to buy shares. • Restrictions on transferability of shares may not attract financially strong investors. • Large amount of capital cannot be obtained as capital contribution is only limited to private shareholders.
Division of profits	<ul style="list-style-type: none"> • High profits and good returns to shareholders indicate the success of a company, which increases the value of shares • Profits generated can be re-invested to expand business operations. 		<ul style="list-style-type: none"> • Shareholders may sell their shares when dividends are low, resulting in a drop in share prices • Dividends are not always paid out which may discourage new investors.
Legislation	<ul style="list-style-type: none"> • The company and its owners (shareholders) are separate entities, which may encourage more people to join the company • Directors are forced (by the Act) to act responsibly and work harder towards the success of the 		<ul style="list-style-type: none"> • Lengthy registration requirements may delay the actual operation of the business and shareholders can loose on profitable opportunities • It is expensive to register this form of ownership which increases business expenses hence reducing profit

	<p>company to protect their personal assets</p> <ul style="list-style-type: none"> • Directors sign performance contracts which will motivate them to perform professionally and ethically • Rights and duties of shareholders are stipulated in the Companies Act, which minimises unethical and corrupt behaviour • May obtain government tenders as the PLC is properly registered in compliance with the Companies Act 	<ul style="list-style-type: none"> • The drafting of directors' performance contracts may be time consuming, expensive and increase costs. • Auditing is required only if the PLC meets the requisite tests for solvency and liquidity, which leads to extra auditing costs.
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NON-PROFIT COMPANY

FACTOR	SUCCESS	AND/OR	FAILURE
Management	<ul style="list-style-type: none"> • An NPC may be well managed as it requires a minimum of three directors. • More directors may be appointed to bring more skills/ideas/innovations/expertise to the NPC. • The legally prescribed management structure ensures a well-organised company 		<ul style="list-style-type: none"> • Large management structure can complicate/delay decisions. • Directors may mismanage business funds as they may not have a direct interest in the NPC. • Directors are liable for any loss/damage/cost sustained by the company. • Directors may not have skills to manage resources.
Taxation	<ul style="list-style-type: none"> • May qualify for tax exemption if certain criteria are met. • They may receive certain tax benefits/rebates when actively involved in community projects. 		<ul style="list-style-type: none"> • Required to pay income tax if engaged in activities that are unrelated to their business purpose. • Must meet certain tax requirements to be exempted, e.g., operations must be exclusively for charitable, scientific or public safety purpose.
Capital	<ul style="list-style-type: none"> • Unlimited number of founders may contribute more capital to the company. • More capital may be raised through donations/ sponsorships for operation/expansion. • It is easy to raise funds/capital, as donors enjoy tax benefits. 		<ul style="list-style-type: none"> • Founders may contribute limited capital/may not contribute capital which may not be sufficient for the establishment/operation of the company. • The company depends/relies on donations as their main source of capital which may hamper its operation/expansion. • NPC may struggle to raise enough capital/funds if they fail to convince donors/donations are misused.

Division of profits	<ul style="list-style-type: none">• The profits of the company are used finance other needs of the company.	<ul style="list-style-type: none">• May discourage potential investors from investing in the company as this is a non-profit company.
Legislation	<ul style="list-style-type: none">• The company and its owners (shareholders) are separate entities, which may encourage more people to join the company.• Financial statements are audited this may result to effective use of resources.	<ul style="list-style-type: none">• Formation procedures are time consuming/complicated/ expensive, as many legal documents need to be prepared/submitted.