GRADE 12

Business Studies

SELF STUDY GUIDE

SECOND CHANCE

MATRIC SUPPORT PROGRAMME

PAPER 1

basic education
Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

Second Chance Matric Support Programme

2030 NDP

NATIONAL EDUCATION COLLABORATION TRUST

ETDP•SETA

WOZA MATRICS 2021 CATCH UP

STAY SAFE PROTECT SOUTH AFRICA
TOGETHER WE CAN BEAT THE CORONAVIRUS

Study copy distributed by EduResource ZA | eduresourcza.com

TABLE OF CONTENTS

		PAGE
1	Introduction	3
2	How to use this booklet	4
3	Study and Examination tips	5-12
4	Main Topic: Business Environments	
4.1	Impact of recent legislation on business	13-35
4.2	Business Strategies	36-57
4.3	Business Sectors and its environments	58-61
5	Main Topic: Business Operations	
5.1	Human Resources function	62-71
5.2	Quality of performance	72-86
	Acknowledgements	87

Study copy distributed by EduResource ZA | eduresourcza.com

Introduction

The declaration of COVID-19 as a global pandemic by the World Health Organisation led to the disruption of effective teaching and learning in many schools in South Africa. The majority of learners in various grades spent less time in class due to the phased-in approach and rotational/ alternate attendance system that was implemented by various provinces. Consequently, the majority of schools were not able to complete all the relevant content designed for specific grades in accordance with the Curriculum and Assessment Policy Statements in most subjects.

As part of mitigating against the impact of COVID-19 on the current Grade 12, the Department of Basic Education (DBE) worked in collaboration with subject specialists from various Provincial Education Departments (PEDs) developed this Self-Study Guide. The Study Guide covers those topics, skills and concepts that are located in Grade 12, that are critical to lay the foundation for Grade 12. The main aim is to close the pre-existing content gaps in order to strengthen the mastery of subject knowledge in Grade 12. More importantly, the Study Guide will engender the attitudes in the learners to learning independently while mastering the core cross-cutting concepts.

Study copy distributed by EduResource ZA | eduresourcza.com

How To Use This Study Guide

- This study guide is developed to assist you to respond to different kind of questions on the topics included in this booklet.
- It will assist you to understand relevant concepts. For this purpose, a glossary of related terminology is included.
- Pay special attention to hints and tips in preparing you on how to respond to different kinds of questions.
- After every content topic there will be an activity, check provided answers in the booklet.
- The activities are based on exam- type questions derived from past papers.
- If you get any incorrect answers, make sure you understand where you went wrong before you continue to the next section.

Study copy distributed by EduResource ZA | eduresourcza.com

Study and Examination tips:
Structure of Paper 1

SECTION	TYPE OF QUESTION	MARKS	TIME	COGNITIVE LEVELS
A	Compulsory Covers **BOTH** TOPICS Multiple choice: (5 x 2) (10) Matching (5 x 2) (10) Choose the correct word: (5 x 2) (10)	**30**	**30**	**Mostly Level 1** (Remembering/Recall) **and** **Level 2** (Understanding)
B	Choose any TWO questions in this section. (40 marks x 2 questions) **THREE questions, TWO covering each main topic and the third question will cover both main topics (a miscellaneous question)** These questions should cover the entire curriculum for EACH main topic. Applicable action verbs in this section are, for example, identify, outline, quote, motivate, explain, discuss, distinguish, differentiate, compare, evaluate, critically evaluate, suggest, recommend, advise, etc. Case studies (scenarios) or source-based questions should be included. Answers should be in point form, full sentences or paragraph style as per requirement of each question.	**80**	**60**	**Levels 1 to 6** (Remembering/Recall, Understanding, Applying, Analysing, Evaluating, Creating)
C	**Answer any ONE question in this section. (40 marks x 1 question)** **TWO questions, EACH covering the TWO main topics.** Longer, essay type questions of lower, middle, and higher cognitive and difficulty levels to assess insight and interpretation of theoretical knowledge in addition to content.	**40**	**30**	**Mostly Levels 3 to 6** (Applying, Analysing, Evaluating and Creating)
TOTAL		150	120	

Study copy distributed by EduResource ZA | eduresourcza.com

Take special note of the following

- Learners are advised to refer to page 6 of the 2021 examination guidelines. This page outlines TWO main topics and sub-topics of each main topic.
- Take note of main topics that are easy to understand.
- Make a checklist of topics that are well understood as they may assist in the selection of choice questions during the final exam.
- You need to know all sub-topics that are covered in each main topic.
- Take note of the structure of the question paper, mark- and time allocation

3.2 Tips on how to answer different types of questions in Business Studies

SECTION A:

- How to answer multiple choice questions
- Try to work out the answer without looking at the possibilities.
- Read through the statement and all the options.
- Underline the key words in the statement.
- Cross out the options that are wrong.
- Read through the statement again and select the most appropriate option from the options remainingWrite down your answer and move to the next question
- Do not guess your answers, go back to the questions you were not sure of at the end of the paper if there is time left.

Example:

Leloko Supermarket operates in the …sector as they sell groceries to consumers:

A Secondary
B Primary
C Public
D Tertiary

How to answer matching the columns questions

- Read through the entire list of statements in Column A and all the descriptions in Column B.
- Read through each statement in Column A and find the best match in Column B.
- Tick off the answers in Column B in pencil so that you know that one has already been chosen.
- Cross out the options that are wrong.
- First do the ones you are sure of then go back to the ones that you are not sure of and choose an answer from the remaining options.
- Do not guess your answers, go back to the questions you were not sure of at the end of the paper if there is time left.

Study copy distributed by EduResource ZA | eduresourcza.com

Example:

COLUMN A		COLUMN B	
1.3.1	National Skills Development Strategy **F** ✓✓	A	encourages consultation between employers and employees
1.3.2	Horizontal diversification **H** ✓✓	B	provides for a system of credits that learners receive when they complete learnerships
1.3.3	Basic Conditions of Employment Act **A** ✓✓	C	consumer can complain via customer care desks
1.3.4	Right to privacy and confidentiality **I** ✓✓	D	workers are paid according to the number of hours spent on a task
1.3.5	Piecemeal **J** ✓✓	E	adding new unrelated products to the existing product lines that may appeal to existing customers
		F	provides career guidance and training centres
		G	promotes fair labour practice between the employers and employees
		H	adding new related products that are unrelated to existing products which may appeal to new groups of customers
		I	consumers have the right to stop unwanted direct marketing
		J	workers are paid according to the number of items produced

(5 x 2) (10)

Study copy distributed by EduResource ZA | eduresourcza.com

SECTION B

How to answer case studies/scenario questions.

- Look at the heading to get an idea of what the case study is all about.
- Carefully read through the case study/scenario with understanding.
- Read each question and underline the keyword/verb.
- Read the case study again and underline each of the keywords in the case study.
- Now answer the questions, pay special attention to action verbs.
- Look at the mark allocation as a guide of how many facts should be included in your answer.

SECTION C

- The essay consists of three parts: Introduction, body and conclusion

Introduction

- Start with the word “Introduction” as a heading.
- Write an opening statement that links to the instructions of the essay question.
- Give at least two meaningful facts to obtain maximum 2 marks [2x1=2]
- Do not repeat or use the words that are in the question paper either in the introduction or conclusion.

Body

- Break up the information into logical parts, making use of headings and subheadings.
- The maximum marks obtained for the body = 32 marks.
- Do not repeat facts, get to the point.
- Responses must be bulleted and in full sentences.
- Put your statements in context.

Conclusion

- Start with the word “conclusion” as a heading.
- Briefly summarise the main point and focus of the essay.
- End your essay with a meaningful fact – not repeating what was said in the introduction or body
- Give at least one meaningful closing statement [1x2= 2]

Study copy distributed by EduResource ZA | eduresourcza.com

Insight /LASO

- Write the words Introduction and Conclusion with supported facts under each to obtain full marks for layout.
- Write sub-headings that appear in the question paper to obtain ONE mark for analysis.
- Ensure that you write as many correct facts as you can that amount to at least 16 marks or more in the body to obtain another ONE mark for analysis.
- Write only responses relevant to the questions asked to obtain two marks for synthesis.
- Use at least TWO current examples to elaborate on facts to obtain two marks for originality.

3.3 **Action verbs commonly used in the Business Studies NSC examination**

Action verbs	Meaning
Identify	• Naming the fact from given scenarios / statements.
Motivate / Support your answer	• Quote as is from the scenario otherwise you will not be awarded marks.
Explain / discuss / describe	• State heading (2 marks) and write an explanation (1 mark)
Outline	• Briefly explain in full sentences.
Give / State	• Supply a one / two words answer.
Evaluate / Analyse	• Requires advantages / positives and / or disadvantages / negatives
Suggest / Recommend / Advise	• Provide your own opinion with a valid argument.
Elaborate	• Explain a little bit further.
Distinguish / Differentiate	• Explain the differences between concepts. • The difference/distinction does not have to link • but the differences must be clear.
Tabulate / Compare the differences between two concepts	• Explain the differences between two concepts and they must link.

Study copy distributed by EduResource ZA | eduresourcza.com

Take note of the following:

Refer to the glossary for specific important definitions of terminology.

To obtain full marks per fact you are required to write a fact and a supporting statement e.g., Workers may not work more than 45 hours✓ in a week. ✓

This is applicable to Sections B and C

Use the table below as a guide to respond to questions with the following verbs:

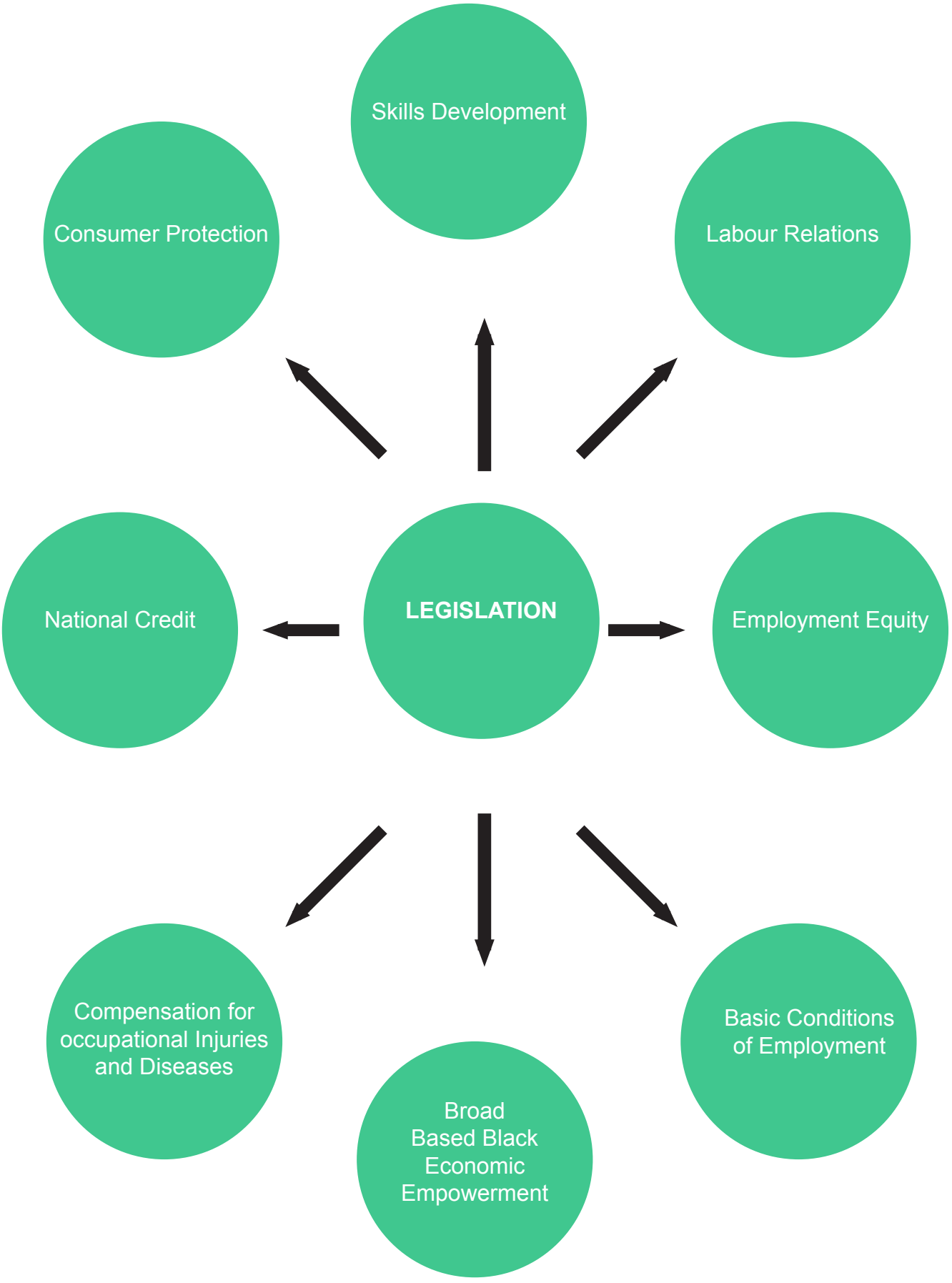
Split marking ✓**.....**✓	Two marks at end of **Statement** ✓✓	One mark at end of **Phrase** ✓
Describe Explain ✓**.....** ✓	Classify Name ✓✓	Give Identify ✓
Distinguish/Differentiate (May use table) ✓**.....**✓	Suggest ✓✓	List ✓
Discuss ✓.....✓	Advise ✓✓	
Analyse ✓.....✓	Propose ✓✓	Name ✓
Elaborate ✓.....✓	Define ✓✓	State ✓
Evaluate ✓.....✓	Recommend ✓✓	
Compare ✓.....✓	Outline ✓✓	
Tabulate ✓.....✓		

Study copy distributed by EduResource ZA | eduresourcza.com

3.4 Study Tips

- Prepare a study time-table – allow yourself enough time to study and focus on at least 3- 4 sub-topics per week.
- Get yourself a study buddy- you will be able to assist one another on difficult concepts/skills.
- Make use of most recent question papers preferably from 2019 to date while you study a topic and test yourself.
- This will enable you to know how the topic can be asked differently in Section B and C questions.
- Take note of the following aspects when using past question papers:
- The phrasing of questions is not always the same even though answers can be the same.
- Different action verbs have been used to assess the same topic. Please take note of how these verbs are used.
- Each question consists of at least two or three scenarios. Practice how to quote directly from the scenario without including your own words or providing incomplete quotes.
- Learn to respond to follow up questions that are part of scenarios but assess your subject knowledge. These questions must be answered independently of the scenario.
- Practise questions that are more likely to require you to “suggest, advise, recommend, evaluate, analyse, discuss/explain the impact”
- Practice to answer those questions in detail to obtain good marks.

Study copy distributed by EduResource ZA | eduresourcza.com



Study copy distributed by EduResource ZA | eduresourcza.com

4 BUSINESS ENVIRONMENTS

4.1 IMPACT OF RECENT LEGISLATION ON BUSINESSES

4.1.1 Overview of the topic

Various Acts were introduced in response to the demands for redress and equity in small and large businesses. These Acts may demand a lot from businesses as they need to be aware of the acts to comply otherwise, they could end up facing huge penalties which may have devastating consequences for businesses.

Learners must know the following under EACH of the above Acts:

- Purpose
- Impact
- Actions regarded as Non – Compliance.
- Consequences/Penalties for non-compliance
- Compliance

Study copy distributed by EduResource ZA | eduresourcza.com

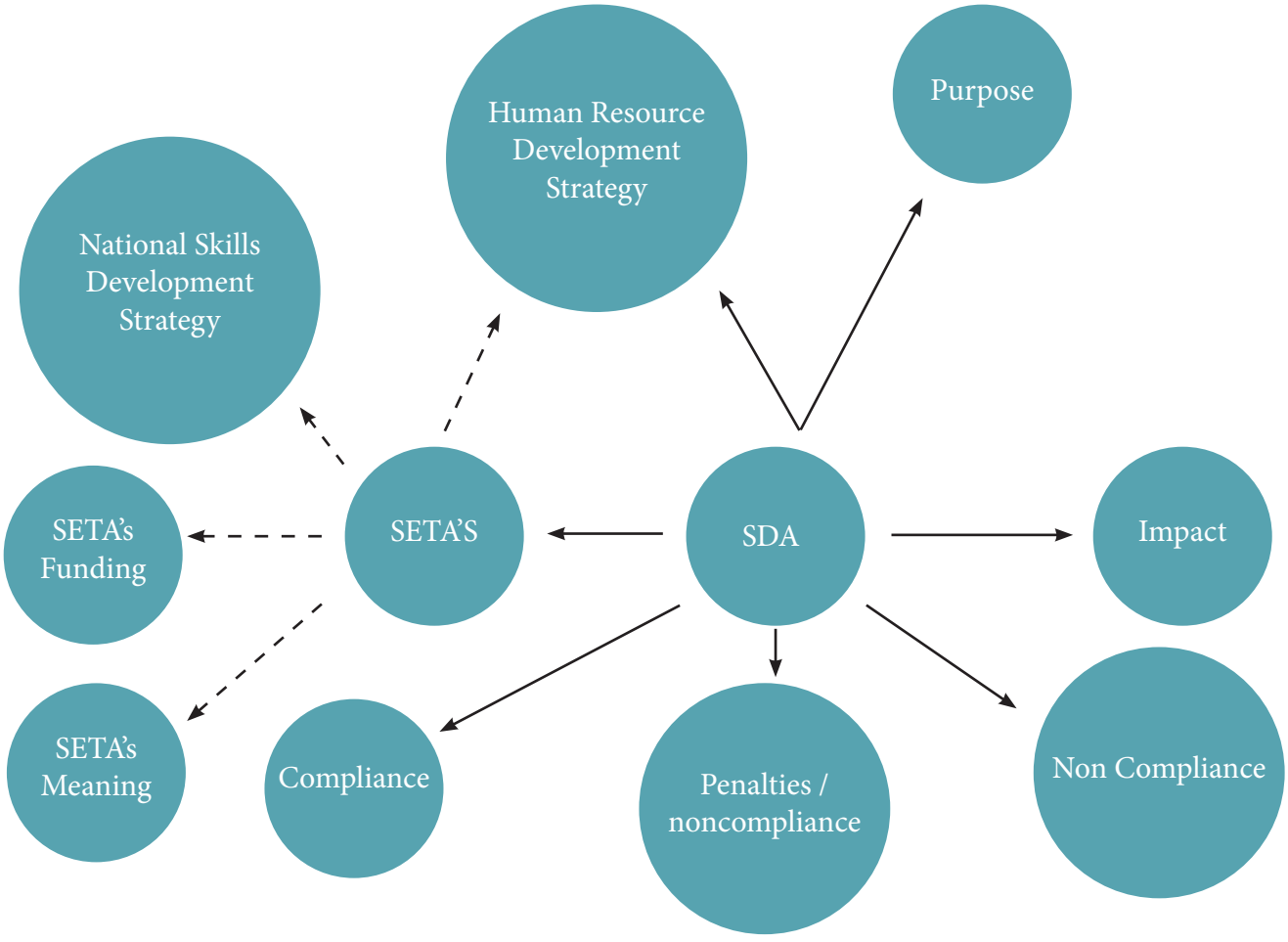
4.1.2 **Key concepts**

The following terminology are often used in this chapter and understanding, or knowledge thereof will increase your chances of success

TERMS	DEFINITIONS
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.
SETA's	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
Bargaining councils	It is formed by registered trade unions and employer organisations 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.
Basic Conditions of Employment Act/BCEA	This Act sets the minimum standard for employment 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 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 regulation of the South African credit industry. This means that all businesses that offer good 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.

Study copy distributed by EduResource ZA | eduresourcza.com

4.2 Skills Development Act (SDA), 1998 (Act 97 of 1998)



4.2.1 **Purpose of the SDA.**

- Encourages businesses to improve the skills of their workers.
- Redresses the imbalances of the past through education and training.
- Develops skills of people in South Africa to improve productivity.
- Invest in education and training of worker.
- Encourages workers to participate in learning programmes.

Study copy distributed by EduResource ZA | eduresourcza.com

4.2.2 **Impact of the SDA on business.**

Advantages	Disadvantages
• Encourages businesses to improve the skills of their workers. • Redresses the imbalances of the past through education and training. • Develops skills of people in South Africa to improve productivity. • Invest in education and training of workers. • Encourages workers to participate in learning programmes	• Many service providers that offer training services are not SAQA accredited. • Implementation of the SDA can be difficult to monitor and control. • Increases cost as the process requires a large amount of paperwork. • Skills Development may not always address training needs of employees

4.2.3 **Actions regarded as non – compliance.**

- Providing employment services for gain without being registered as an employer.
- Providing fraudulent / false information in any prescribed document.
- Preventing employees from signing for a learnership due to age or position.

4.2.4 **Possible penalties / consequences for non – compliance to the SDA**

- Business that does not pay the Skills Development Levy may not offer learnerships / claim grants from SDA.
- A labour inspector could order the business to stop operating, if found guilty of illegal practices.

4.2.5 **Ways in which businesses can comply with the SDA.**

- Provide all employees with the opportunity to improve skills.
- Employees who collect SDL should register with SARS.
- Encourage employees to participate in learnerships and other training programmes.
- One percent of an employer's payroll must be paid over to the SARS.
- Business should register with the relevant SETAs

4.2.6 **Role / functions of SETA's in supporting the SDA.**

- Register learnership agreements.
- Promote and establishes learnerships.
- Report to the Director General.
- Provide accreditation to skills development facilitators.

4.2.7 **How SETAs are funded**

- Funds received for rendering their services.
- Receive surplus funds from government institutions.
- Donations and grants from the public.

4.2.8 **Meaning of learnerships**

- Theoretical / practical training opportunities that can lead to a recognised occupational qualification.
- May include employment for a specified period after the learnership is completed.
- Results in a qualification registered on the NQF.
- It includes structured component as well as practical work experience.

Study copy distributed by EduResource ZA | eduresourcza.com

4.2.9 **National Skills Development Strategy (NSDS) and the Human Resource Development Strategy (HRDS)**

4.2.9.1 **National Skills Development Strategy (NSDS)**

- Increase the skills of the public sector to improve service delivery.
- It makes better use of workplace – based skills development.
- Aims to address the low level of language and mathematical skills amongst the youth and adults.

4.2.9.2 **Human Resource Development Strategy (HRDS)**

- Address skills shortages in the South African workforce.
- Improves the supply of skills.
- Develop short term and long-term workforce skills.
- Increases employee participation in lifelong learning.

4.3 Labour Relations Act (LRA), 1995 (Act 66 of 1995)

4.3.1 **Purpose of the LRA**

- Establishes Labour Courts and Labour Appeal Courts.
- Promotes fair labour practice between the employer and employees.
- Provides for the right to lock-out by the employer as a reaction to lengthy strikes.
- Promotes collective bargaining at the workplace

4.3.2 **Impact of the LRA on businesses**

Advantages	Disadvantages
• Protects the rights of business in labour related issues. • Labour disputes are settled quicker and are less expensive. • Promotes a healthy relationship between the employer and employees. • Workplace forums can add value to business if it functions properly.	• Costs of labour increases because of legal strikes • Employers may not get a court interdict to stop a strike. • Strike actions always result in loss of production for which employers may not claim. • Reduces global competitiveness due to lower productivity

4.3.3 **Actions regarded as non – compliance by the LRA**

- Preventing employees from joining trade unions.
- Refusing establishment of workplace forums.
- Forcing employees to give up trade union membership.
- Not allowing employees to take part in a legal strike

4.3.4 **Penalties / consequences for non-compliance to the LRA.**

- The employer may be forced to enter into a dispute resolution process.
- Business that fails to comply with this ACT may risks financial costs e.g., CCMA fees.
- Businesses will be fined if they fail to comply with the agreements reached during dispute resolution process.

Study copy distributed by EduResource ZA | eduresourcza.com

4.3.5 **Ways in which businesses can comply with the LRA**

- Businesses must allow employees to form trade unions/participate in union activities/ legal strikes.
- Employers should not breach/ ignore any collective agreements.
- Allow/ support the establishment of workplace forums.
- Employees should not be unfairly/ illegally dismissed.

4.3.6 **Rights of employers and employees in terms of LRA**

Employers	Employees
• Form a bargaining council for collective bargaining purposes. • Dismiss employees who engage in an unprotected strike. • Form employer organisations • Employers have a right to lockout employees who engage in illegal strike.	• Refer unresolved workplace disputes to the CCMA. • Refer unresolved CCMA disputes to the Labour Court on appeal. • Embark on legal strikes as a remedy for grievances.

4.4 Employment Equity Act (EEA), 1998 (Act 55 of 1998)

4.4.1 **Purposes of the EEA**

- Promotes equal opportunity and fair treatment in the workplace.
- Provides for employees to refer unresolved disputes to the CCMA.
- Protects employees from victimisation if they exercise the rights given to them by the EEA.
- It prohibits any discrimination based on race, gender, or disability in the workplace.

4.4.2 **Impact of the EEA on businesses.**

Advantages	Disadvantages
• Encourages diversity in businesses by employing people from various racial backgrounds. • Provides employees with an equal opportunity to be promoted in a position. • Promotes equal opportunity and fair treatment in the workplace	• Expensive to train/ employ someone who knows little about the ACT. • Increased administration burden as business must compile employment equity reports every two years. • Often positions go unfilled because there is no suitable employment equity candidate

4.4.3 **Actions regarded as non – compliance by the EEA**

- Denying people access to the workforce based on gender/race/culture.
- Not employing a young woman because she will want to have children in future.
- Refusing to employ a person because he/she has a disability.

Study copy distributed by EduResource ZA | eduresourcza.com

4.4.4 **Penalties / consequences for non – compliance to the EEA**

- Fines may be imposed on businesses that fail to comply with its reporting obligations.
- Department of Labour may block non-compliant companies from doing business with the government.
- Business may be taken to the Labour Court for prosecution.

4.4.5 **Ways in which businesses can comply with the EEA**

- Reasonable accommodation of people from designated groups.
- Implement an employment equity plan.
- Employees must be paid equal for work of equal value.
- Business must guard against discriminatory appointments.
- Promote equal opportunities and fair treatment.

ACTIVITY 1

Read the scenario below and answer the questions that follow

BIRCHWOOD DESIGNERS (BD)
Birchwood Designers manufacture sports shirts. They employ 70 workers who are allowed to join trade unions of their choice. The management of BD resolves work related issues through the CCMA.

1.1 Identify the Act that applies to BD. Motivate your answer by quoting from the scenario. (3)

1.2 Discuss the impact of the Act identified in ACTIVITY 1.1 on BD. (6)

4.5 Basic Conditions of Employment Act (BCEA), (Act 75 of 1997)

4.5.1 **Purpose of the BCEA.**

- Regulates the right to fair labour practices as set out in the Constitution.
- Provides clear terms and conditions of employment for employers and employees.
- Regulates the variations of basic conditions of employment.
- Advances economic development and social justice.

Study copy distributed by EduResource ZA | eduresourcza.com

4.5.2 **Impact of the BCEA on businesses.**

Advantages	Disadvantages
• Employees may submit complaints to labour inspectors who can address it. • Encourages consultation between employers and employees. • Promotes fair treatment of employees in business. • Work hours are specified so that the employer cannot exploit employees	• Developing legal employment contract may be time- consuming/ costly. • No employer may force employee to work more than 45 hours in a week. • Hiring cheap labour is no longer possible, so businesses cannot exploit worker. • BCEA forces businesses to comply with many legal requirements which may increase labour costs

4.5.3 **Actions regarded as non-compliance by the BCEA.**

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

4.5.4 **Penalties / consequences for non-compliance to the BCEA.**

- Businesses can be ordered to pay compensation and damages to the employee.
- The Director General may cancel the compliance order.
- Labour inspectors may serve a compliance order by writing to the Department of Labour.
- Businesses may be taken to the labour court for a ruling.

4.5.5 **Ways in which businesses can comply with the BCEA.**

- Business should not employ children under the age of 16.
- Workers can take a meal break of 60 minutes after five continuous hours of work.
- Workers must receive double if they work during public holidays/Sunday.
- Workers can take up to six weeks paid sick leave during a 36-month cycle.

4.5.6 **Provisions of the BCEA**

Hours of work/Work hours • Workers may not work for more than forty-five (45) hours in any week. • Workers may work nine (9) hours a day if they work five days or less per week. • Workers may work eight (8) hours a day if they work more than five days a week.
Annual Leave • Workers are entitled to 21 consecutive days annual leave per year/ One day for every 17days worked/ on hour for every 17 hours worked. • An employer can only pay a worker in lieu of leave if that worker leaves the job. • Annual leave must be granted within six (6) months after the leave cycle ended.
Sick Leave • Workers are entitled to six weeks paid sick leave in a period of 36 months. • Workers receive 1 day paid sick leave for every 26 days worked during the first six months of employment. • A medical certificate may be required before paying an employee who is absent for more than two consecutive days/ who is frequently absent.

Study copy distributed by EduResource ZA | eduresourcza.com

Maternity Leave

- Female workers are entitled up to four months leave.
- The granting of leave requires employees to produce a medical certificate / medical proof.
- Employee must not perform labour that can harm or put the unborn child at risk during pregnancy.

Family responsibility leave

- An employer may require reasonable proof before granting leave.
- Employees are entitled to 3 – 5 days leave to attend to the sickness/death of a child or a direct relative.

Parental leave

- Employees, other than mothers giving birth, are entitled to 10 days unpaid leave once per year.
- Refers to unpaid leave, but employees may claim from the UIF.
- Employees will no longer be allowed to take Family Responsibility leave for the birth of a child.

Adoption leave

- This leave applies to parents adopting a child less than two years old.
- One parent will be entitled to 10 consecutive weeks of Adoption Leave, while the other parent will be entitled to Parental Leave.

Commissioning Parental Leave

- Leave applies to parents using a surrogate.
- The primary caregiver will qualify for 10 consecutive weeks of unpaid Commissioning Parental leave.
- The other parent is entitled to 10 days parental leave.

Meals breaks and rest periods

- Workers must have a meal break of 60 minutes after five continuous hours of work.
- This can be reduced to 30 minutes by written agreement when working less than 6 hours per day.

Overtime

- Workers must agree to work overtime.
- Workers cannot work more than three hours overtime per day /10 hours per week.
- Double the normal rate of pay for overtime worked on Sundays and public holidays.
- Overtime must be paid either at specified rate for overtime/ an employee may agree to receive paid time off.

Termination of employment

- A contract of employment may only be terminated following one weeks' notice if the worker has been employed for six months or less.
- The employee must be given a notice in writing.

Child 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 the employment is not harmful to their education / moral/ social development.
- Children / Minors under 18 years of age may not do dangerous work / work meant for an adult.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 2

Identify the provision of the BCEA described in each statement below.

2.1 Employees are required to work eight hours a day for a six-day week.

2.2 A male employee took leave after the birth of his child.

2.3 Employees are allowed to take a 60-minute break after working for five hours.

2.4 Management does not employ workers who are younger than 16 years old.

2.5 Employees are generally not allowed to work more than 10 hours extra a week.

2.6 Joyce, the secretary, was allowed to stay at home for 4 consecutive months.

2.7 Tommy, the supervisor, is entitled to take up to 21 days leave per year.

2.8 Cecilia, the financial clerk, was given permission to take 3-5 days off from work to attend to her sick mother.

2.9 Zungu, the marketing manager, brought a medical certificate for taking three days off to recover from flu.

2.10 Employees are expected to give due notice before they can end their employment contract.
(10 x 2) (20)

4.6 Compensation for Occupational Injuries and Diseases Amendment Act (COIDA), 1997 (Act 61 of 1997)

4.6.1 **Purpose of thee COIDA**

- COIDA applies to all casual and full-time workers who become ill/ injured/disabled/ killed due to a workplace accident/disease.
- It provides for the establishment of Compensation Board whose function is to advice the Minister of Labour on the provisions of COIDA.
- Provides a comprehensive protection to employees who are injured performing their duties.
- It excludes workers who are guilty of wilful misconduct/ workers working outside South Africa for at least twelve months/ members of SANDF/ SAPS.

Study copy distributed by EduResource ZA | eduresourcza.com

4.6.2 **Impact of the COIDA on businesses.**

Advantages	Disadvantages
• Promotes safety in the workplace. • Eliminates time and costs spent on lengthy civil court proceedings. • Employees do not have to contribute towards this fund. • Claiming processes are relatively simple. • Vulnerable workers like domestic workers are also covered by this Act.	• Claiming processes can be time consuming. • Implementation processes/ procedures required by the ACT may be expensive. • Workers who are temporarily/permanently employed in foreign countries are not covered. • Employers must register all their workers to COIDA, which may result is cash-flow problems.

4.6.3 **Actions regarded as non-compliance by the COIDA.**

- Employers who do not contribute to the Compensation Fund.
- Employers who take long to process claims/delay the claiming process.
- Employers who bribe/prevent employees from reporting the accident/ injury.
- Compensation that is set off against any debt of the person entitled to the compensation.

4.6.4 **Penalties / consequences for non-compliance to the COIDA.**

- Businesses may be forced to pay recovery costs required by the Compensation Fund.
- Employees may take the businesses to court for not registering them with the Commissioner of the Compensation fund.
- Businesses can be fined for refusing to lodge the claim/ contravening the Act.
- Businesses may pay large penalties if found guilty of any misconduct/face imprisonment.

4.6.5 **Ways in which businesses can comply with the COIDA.**

- Submit returns of earnings by no later than 1 March annually.
- Levies must be paid to the Compensation Fund.
- Businesses should provide a healthy/ safe working environment.
- Report all incidents causing death/ injury/ illness of employees.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 3

Read the scenario below and answer the questions that follow.

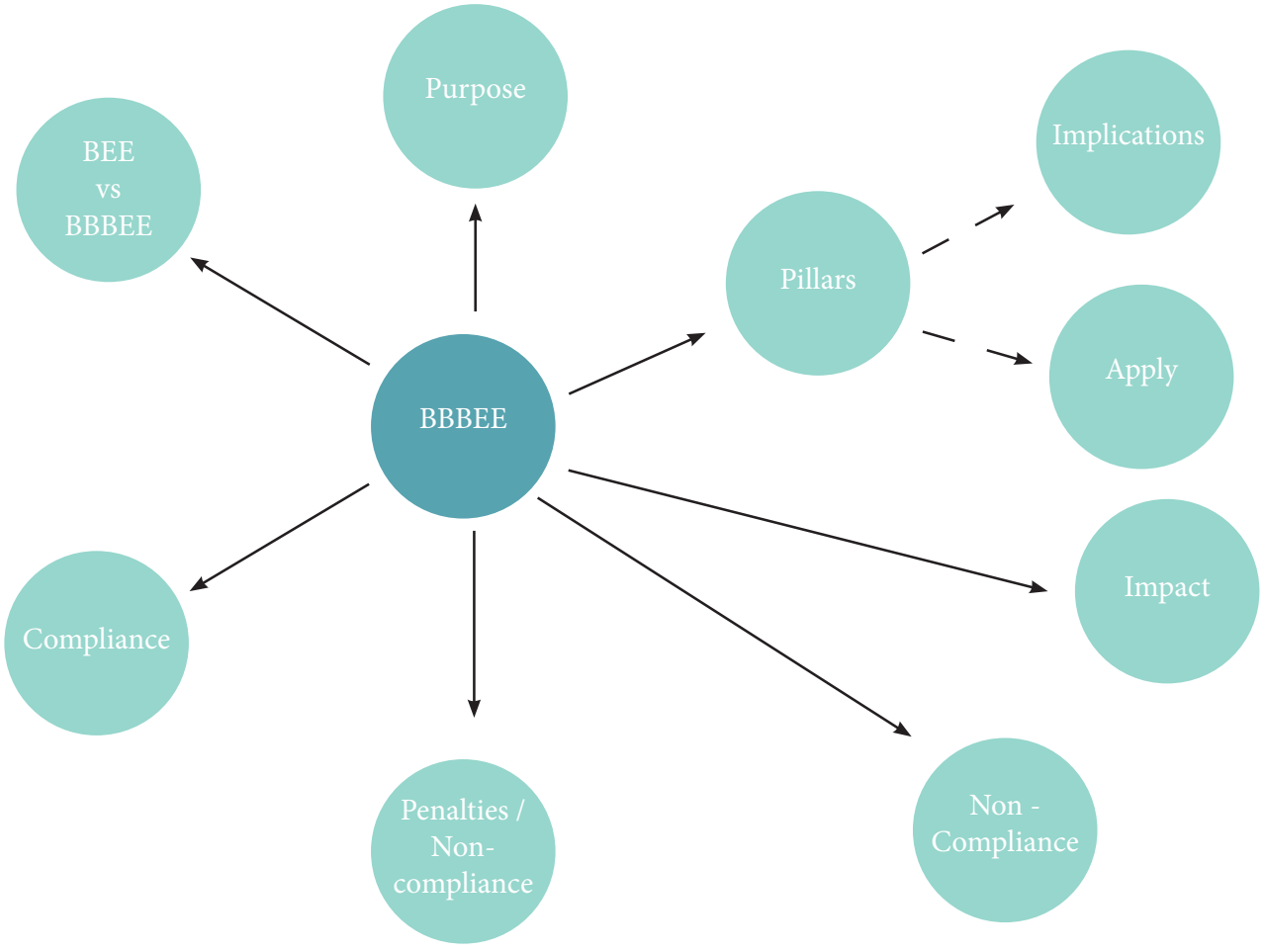
EAGLE EYE SECURITY SERVICES (EESS)
The supervisor provided the Commissioner with false information regarding serious accidents that took place at EESS. Senior management also bribed one of their employees not to report injuries sustained while performing his/her duties.

3.1 Identify the Act that is applicable in the scenario above. (2)

3.2 Quote TWO actions that can be regarded as discriminatory according to the Act identified in QUESTION 3.1. (2)

3.3 Advise management of EESS on the penalties they could face for non-compliance with the Act identified in QUESTION 3.1 (6)

4.7 Broad-Based Black Economic Empowerment Act, Act 2003, (Act 53 of 2003), (amended in 2013)



Study copy distributed by EduResource ZA | eduresourcza.com

4.7.1 **Purpose of the 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.

4.7.2 **Impact of the BBBEE on businesses.**

Advantages	Disadvantages
• The skill level of previously disadvantaged people will increase as businesses are compelled to train them. • Businesses complying with BBBEE • will be highly regarded on the BEE scorecard. • A good BBBEE – score will improve the image of the business. • Provides for human resource development through training or skills development. • Fronting is discouraged as it can lead to disqualification of a business's total scorecard.	• Processes may lead to corruption / nepotism if it is not monitored properly. • Non-compliance may have huge financial implications for businesses. • Processes and procedures can be very expensive for a business as there are a lot of legal requirements to obtain a grading. • Investments / ownership issues may lead to dissatisfaction between current shareholders. • Businesses that want to do business with the government must have their BEE status assessed annually.

4.7.3 **Actions regarded as non-compliance by the BBBEE.**

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

4.7.4 **Penalties / consequences for non-compliance to the BBBEE.**

- Business licenses may not be renewed, and authorisation may not be issued.
- The penalty could be a fine of up to 10% of the company's annual turnover.
- Businesses may face imprisonment for non- compliance and fronting practices.
- A business can be banned from participating in government contracts for period of 10 years.

4.7.5 **Ways in which businesses can comply with the BBBEE.**

- Develop small businesses / SMMEs through ESD.
- Improve the standard of living of the communities in which they operate.
- Businesses must appoint black people in managerial positions.
- Send black people for skill development training.

4.7.6 **Implications of the revised BBBEE pillars on businesses**

4.7.6.1 **Management control**

- 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.

Study copy distributed by EduResource ZA | eduresourcza.com

4.7.6.2 **Skills Development**

- Business must engage black employees in skills development initiatives.
- Provide learnerships and learning programmes to black employees.
- Business benefits from the increased pool of skilled/trained workers.
- Business must go the extra mile to train staff where learnerships are not offered.

4.7.6.3 **Ownership**

- Business should include black people in shareholding/partnerships/franchises.
- Encourage small black investors to invest in big companies and share ownership.
- More opportunities are created for black people to become owners/ entrepreneurs.
- Businesses sometimes find it difficult to locate suitable black business partners/ shareholders.

4.7.6.4 **Enterprise and supplier development (ESD)**

- Business must create jobs as ESD promotes local manufacturing.
- Identify black owned suppliers that can supply goods and services.
- Outsource services to suppliers that are BBBEE compliant.
- Businesses are encouraged to invest/support black owned SMMEs.

4.7.6.5 **Social responsibility/Socio-economic development**

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

4.7.7 **Difference between BEE and BBBEE**

BEE	BBBEE
It is a government policy, which may not be enforced.	It is an Act that is enforced must be complied with by businesses
Benefits only a few previously disadvantaged people in the economy.	Encourages a wider group of previously disadvantaged people including people in rural areas to participate in the economy.
Few previously disadvantaged individuals share in the wealth of the economy.	Aims at distributing the country's wealth across a broader spectrum of society.
Focuses only on three pillars that did not include all previously disadvantaged people.	Focuses on five pillars which includes all sectors of the society especially the previously disadvantaged.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 4

4.1 Name the revised FIVE pillars of BBBEE in the workplace. (5)

4.2 Explain the implications of the following pillars of the BBBEE Act on businesses:

- Management Control (4)
- Enterprise and Supplier Development (4)

4.8 National Credit Act, 2005 (NCA) (Act 34 of 2005)

4.8.1 **Purpose of the NCA.**

- Makes provision for the establishment of the NCR.
- Ensures that consumers know what is included in their credit contracts.
- Ensures registrations of credit bureau and debt counselling services.
- Promotes the social and financial interest of consumers.
- Promote a fair but competitive credit market.

4.8.2 **Impact of the NCA on businesses.**

- Authorised credit providers may attract more customers.
- Low bad debts resulting in better cash flow.
- Protects businesses against non-paying consumers.
- Stamps out reckless lending and prevents businesses from bankruptcy.
- Increases cash sales as credit can only be granted to qualifying customers.

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

- Charging different interest rates to customers based on gender/race.
- Not providing reasons for credit refusal.
- Refusing credit to customers based on gender/ race.
- Blacklisting customers without making efforts to recover the debt.

4.8.4 **Penalties / consequences for non-compliance to the NCA.**

- The business may not charge any fee/ interest/ other charges under that specific credit agreement.
- The National Credit Regulator may impose a fine/ penalty on the business for non-compliance.
- The business may not demand payment, sue, or attach the clients/ consumers assets.
- The court may declare the granting of credit by the business reckless and may order the consumer not to repay the creditor.

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

- Disclose all costs of loan/ No hidden costs should be changed / added.
- Credit providers must be registered with the National Credit Regulator
- Conduct affordability assessment to ensure the consumer can meet his/her obligations.
- Businesses must submit an annual compliance report to the National Credit Regulator.

Study copy distributed by EduResource ZA | eduresourcza.com

4.8.6 **Rights of consumers according to the NCA.**

- Obtain reasons for credit being refused.
- Apply for credit and be free from discrimination.
- Receive pre-agreement documents before concluding any credit transaction.
- Apply for debt review /counselling if the consumer cannot afford to repay their debts.
- Fair and responsible marketing.
- Receive information in plain and understandable language.
- Return goods to the credit provider to settle the outstanding debt.
- Receive protection of their personal information.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 5

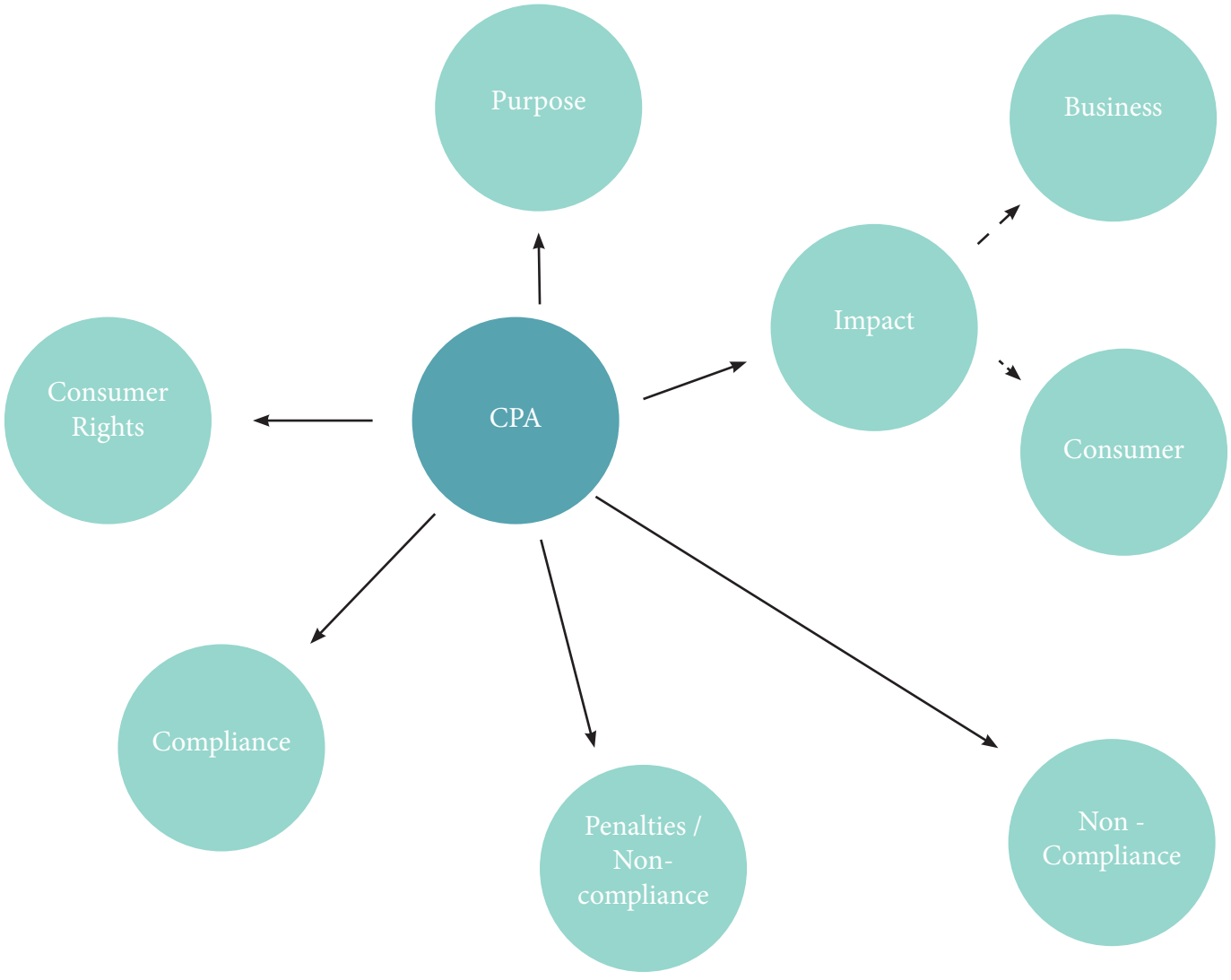
Read the scenario below and answer the questions that follow.

ALPHA FINANCIAL SERVICES (AFS)
Alpha Financial Services opened a money market division to grant loans to customers. AFS always conducted a financial affordability assessment for each client who applied for a loan

5.1 Identify the Act that AFS is complying with. Motivate your answer by quoting from the scenario. (3)

5.2 Explain to the management of AFS of other ways that they can comply with the Act identified in ACTIVITY 5.1 (6)

4.9 Consumer Protection Act, 2008 (CPA) (Act 68 of 28 April 2008)



Study copy distributed by EduResource ZA | eduresourcza.com

4.9.1 **Purpose of the CPA.**

- Promotes responsible consumer behaviour.
- Strengthens a culture of consumer rights and responsibilities.
- Allows for consumers and businesses to resolve disputes fairly/effectively.
- Empowers consumers to take legal action if their rights are not upheld

4.9.2 **Impact of the CPA on businesses.**

Advantages	Disadvantages
• Businesses may be safeguarded from dishonest competitors. • Businesses may gain consumer loyalty if they comply with CPA. • Prevents larger business from undermining smaller ones. • Businesses may be protected if they are regarded as consumers	• Confidential business information may become available to competitors. • Businesses must disclose more information about their products/ services. • Penalties for non-compliance may be very high. • Businesses may feel unnecessarily burdened by legal process.

4.9.3 **Actions regarded as non-compliance by the CPA.**

- Treating consumers 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.
- Denying customers proper information about the product/ services.

4.9.4 **Penalties / consequences for non-compliance to the CPA.**

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

4.9.5 **Ways in which businesses can comply with the CPA.**

- Disclose prices of all products on sale.
- All agreements must provide a five-day cooling off period.
- Implement measures that will facilitate complaints e.g., suggestions boxes.
- Ensure goods/ services offered are standardised/ of the same quality.
- Provide adequate training to all staff on the CPA.

Study copy distributed by EduResource ZA | eduresourcza.com

4.9.6 **Consumer rights in terms of the CPA**

- **Right to choose**
  Consumers have the right to:
  choose suppliers and goods.
  shop around for the best prices.
  return goods that are unsafe/defective for a full refund.

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

- **Right to fair and honest dealings**
  Suppliers may not use physical force to customers to buy products.
  Suppliers may not give misleading/false information.
  Businesses may not promote pyramid schemes and chain-letter schemes.

- **Right to information about products and agreements/Right to disclosure and information**
  Contracts should be in plain language and easy to understand.
  Businesses should display prices which are fully disclosing all costs.
  Businesses should label products and trade descriptions correctly.

- **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.
  All information related to the country of origin, expiry dates/ingredients of the products should be disclosed.

- **Right to fair value/good quality and safety**
  Consumers have the right to demand quality service or goods.
  They have the right to return faulty items if the fault occurs within six months after purchasing the item.
  Consumers may receive a written warranty.

- **Right to accountability from suppliers**
  Consumers have the right to be protected in lay-bye 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 marketplace**
  Businesses should not limit access to goods and services.
  Businesses may not vary the quality of their goods to different consumers.
  Businesses may not charge different prices for the same goods/services.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 6

6.1 Outline the purpose of the Consumer Protection Act (6)

ACTIVITY 7

7.1 Identify the Act which is applicable to each scenario below:

7.1.1 Tasty Treats does not warn customers about the side effects when eating their sweets.

7.1.2 The employees of Jumbo Stores are allowed to join a trade union of their choice.

7.1.3 Fast Track Ltd. has contributed to the development of local black suppliers.

7.1.4 Boksburg Stores did not provide copies of the signed employment contracts to their employees.

7.1.5 This Act gives consumers access to debt counsellors.

7.1.6 The purpose of this Act is to promote demographic representation in a business.

7.1.7 This Act provides cover to all employees injured whilst on duty.

7.1.8 The main purpose of this Act is to encourage employers to use the workplace as a learning environment.

(8 x 2) (16)

5 Exemplar Section C Question

The Employment Equity Act (EEA), 1998 (Act 55 of 1998) was introduced to promote equity in the workplace. Businesses are obliged to comply with the requirements of the Act or face penalties for non-compliance.

As an expert on recent legislation, write an essay on the following EEA aspects:

- Outline the purpose of the Employment Equity Act.
- Discuss the impact of this Act on businesses.
- Advise businesses on the consequences/penalties they may face for not complying
- with the EEA.
- Suggest practical ways in which businesses can comply with this Act. [40]

(Construct your answer from the notes supplied.)

Study copy distributed by EduResource ZA | eduresourcza.com

SUGGESTED ANSWERS

ACTIVITY 1

1.1 **Act:** Labour Relations Act ✓✓

Motivation: They employ 70 workers who are allowed to join trade unions of their choice. ✓

The management of BD resolves work related issues through the CCMA.✓

1.2 **Impact: Labour Relations Act**

- Protects the rights of business✓ in labour related issues✓
- Labour disputes are settled quicker✓ and are less expensive✓
- Promotes a healthy relationship✓ between the employer and employees✓
- Workplace forums can add value to business✓ if it functions properly✓
- Costs of labour increases Pbecause of legal strikes✓
- Employers may not get a court interdict✓ to stop a strike✓
- Strike actions always result in loss of production✓ for which employers may not claim✓
- Reduces global competitiveness✓ due to lower productivity✓

ACTIVITY 2

2.1 Hours of work/ Work hours/Working time/ Normal work time/ Ordinary hours of work ✓

2.2 Paternity leave ✓

2.3 Meal breaks/ Intervals ✓

2.4 Child labour/ Forced labour ✓

2.5 Overtime ✓

2.6 Maternity Leave ✓

2.7 Annual leave ✓

2.8 Family responsibility leave ✓

2.9 Sick Leave ✓

2.10 Termination of employment ✓

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 3

3.1 **Identify the Act**

- Compensation for Occupational Injuries and Diseases Amendment Act / COIDA ✓✓

3.2 **Actions that can be regarded as non-compliance**

- The supervisor provided the Commissioner with false information regarding serious accidents that took place at EESS ✓
- Senior management also bribed one of the employees not to report injuries sustained while performing his/her duties ✓

3.3 **Penalties for non – compliance with the Act**

- Businesses can be fined for refusing to lodge the claim/ contravening the Act ✓✓
- Businesses may be forced to pay recovery costs required by the Compensation Fund ✓✓
- Businesses may pay large penalties if found guilty of any misconduct/face imprisonment ✓✓
- Employees may take the businesses to court for not registering them with the Commissioner of the Compensation fund ✓✓

ACTIVITY 4

4.1 **Revised pillars on BBBEE**

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

4.2 **Implications of BBBEE pillars on business**

Management Control

- Business must ensure that transformation✓ is implemented at all levels.✓
- Appoint black people✓ in senior executive positions/to management.✓
- Involve black people Pin the decision-making processes.✓
- Ensure that black females Pare represented in management.✓

Enterprise and Supplier Development (ESD)

- Business must create jobs Pas ESD promotes local manufacturing.✓
- Identify black owned suppliers Pthat can supply goods and services.✓
- Outsource services to suppliers✓ that are BBBEE compliant.✓
- Businesses are encouraged Pto invest/support black owned SMMEs.✓

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 5

5.1 **National Credit Act**

National credit Act (Act 34 of 2005) / NCA ✓✓

Motivation

AFS always conducted a financial affordability assessment for each client who applied for a loan. ✓

5.2 **Ways to comply with the Act**

- Offer applicants pre-agreement statements ✓✓
- Obtain records/ checks of clients before granting loans ✓✓
- AFS should register with the National Credit Regulator ✓✓
- AFS must submit annual compliance report to the National Credit Regulator ✓✓

ACTIVITY 6

6.1 **Purpose of the CPA**

- Promotes responsible consumer behaviour ✓✓
- Strengthens a culture of consumer rights and responsibilities ✓✓
- Allows for consumers and businesses to resolve disputes fairly/ effectively ✓✓
- Empowers consumers to take legal action if their rights are not upheld. ✓✓

ACTIVITY 7

7.1 **Acts**

7.1.1 Consumer Protection Act (CPA) ✓✓

7.1.2 Labour Relation Act ✓✓

7.1.3 Broad Based Black Economic Empowerment ✓✓

7.1.4 Basic Conditions of Employment Act ✓✓

7.1.5 National Credit Act ✓✓

7.1.6 Employment Equity Act ✓✓

7.1.7 Compensation for Injuries Diseases Act ✓✓

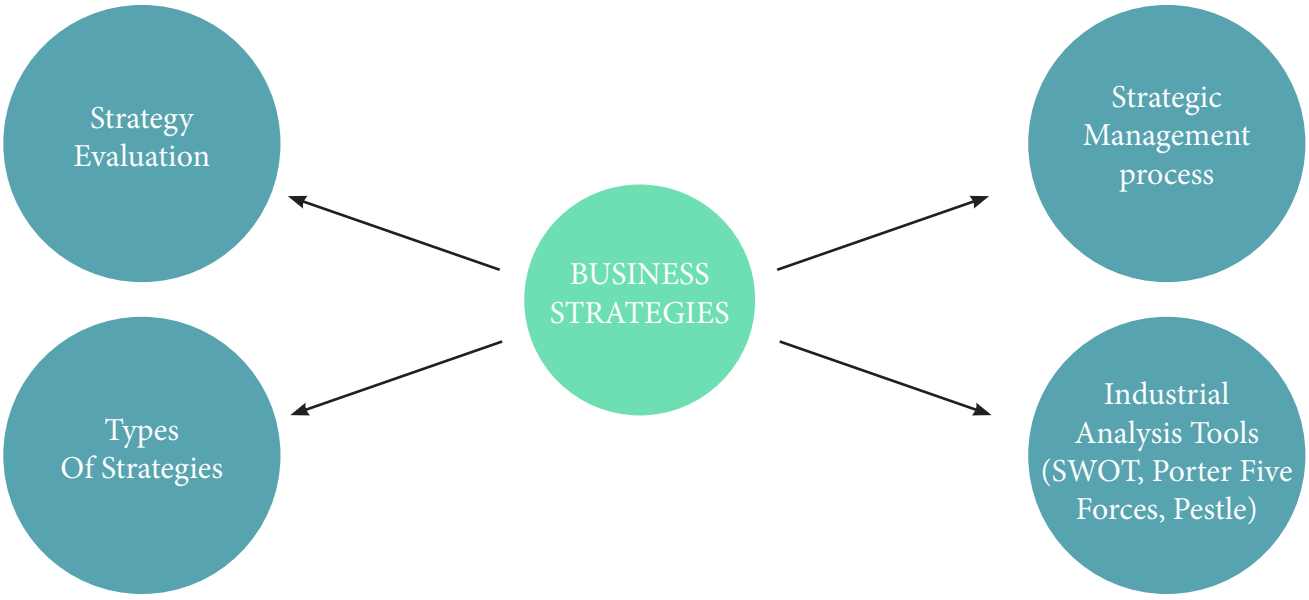
7.1.8 Skill Development Act ✓✓

Study copy distributed by EduResource ZA | eduresourcza.com

BUSINESS STRATEGIES

Overview

Business enterprise needs to develop strategies in response to challenges and change in business environments. Effective strategy can be developed by identifying each type of challenge in each of the three-business environment



TERMS	EXPLANATIONS
Strategy	A plan of action to address an opportunity or to solve a problem or respond to a challenge.
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.
Integration strategies	Strategies aimed at taking over or merging with other businesses to increase growth potential
Intensive strategies	Involve increasing sales and market share through extreme efforts
Diversification strategies	Businesses add related or unrelated products to the current product range to increase the market
Defensive strategies	Strategies aimed at protecting businesswes' survival or existence
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 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.

Study copy distributed by EduResource ZA | eduresourcza.com

2. Strategic management process

Two options

Option 1

- Have a clear vision, mission statement and measurable 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 business challenges.
- Develop (an) action plan(s), including the tasks to be done/deadlines to be met/resources to be procured, etc.
- Organise the business resources and motivate staff.
- Implement selected strategies by communicating it to all stakeholders.
- Continuously evaluate/monitor/measure strategies in order to take corrective action.

Option 2

- Review the vision statement.
- Analyse/Re-examine 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.

Study copy distributed by EduResource ZA | eduresourcza.com

Activity 1

BEAUTY LADIES' BOUTIQUE (BLB)
Beauty Ladies Boutique specialise in the manufacturing of ladies clothing. The business is struggling to pay its creditors due to the impact of Covid 19. BLB need to conduct the strategic management process to devise the best strategy that will assist HER to overcome the challenges of the macro environment.

1.1 Outline the strategic management process of BLB. (8)

3. **To compile a SWOT analysis**

SWOT- instrument used to analyse internal and external business environment.

STRENGTHS (INTERNAL)	WEAKNESSES (INTERNAL)
• Skilled employees and a strong customer base • Provide high quality product. • Unique or lowest-cost resources • Sufficient resources • Co- competency	• Staff shortages and poor skills • Lack/Insufficient capital • High-cost infrastructure • High employee turnover • High debts level • Weak brand portfolio
OPPORTUNITIES (EXTERNAL)	**THREATS (EXTERNAL)**
• New technology that will • enhance quality services and products. • Government's incentives for 'specific industry • Electronic marketing (Online buying) • Market growth for the business product. • Increase in income levels	• Crime • Intense competition. • Changing technology. • Fluctuation of currency • Increase in corporate tax. • Increase fuel price

Study copy distributed by EduResource ZA | eduresourcza.com

Activity 2 scenario.

COMPUTER WORLD (CW)
CW offers internet services to businesses, and they employ qualified technicians to do the installations. CW does not have a reliable bookkeeping system. The business is in a high crime area. Other businesses who offer the same services are closing.

2.1 Compile a SWOT analysis for CW (4)

4. **PORTER'S FIVE FORCES**

Explanation

- Porter's Five Forces model is based on five important forces that will determine competitive power in the market environment of a business.
- Porter's Five Forces model helps the business to understand both the strength of its current competitive position and the advantages of expanding.

Porter's Five Forces	Application
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

Porter's Five Forces	Application
Bargaining power of suppliers/ Power of suppliers	• Suppliers that deliver high quality product may have power over the business. • Assess the power of the suppliers in influencing prices. • 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.
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 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. • If there are a few suppliers of a product/service but many buyers, it may be easy to enter the market.

Study copy distributed by EduResource ZA | eduresourcza.com

Power of competitors/ Competitive rivalry	• Competitors selling the same/similar products/services may have a greater • impact on the market of the business. • 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	• Establish whether the sellers of substitute products have improved their product/sell lower quality goods at lower prices. • If the business's product can be easily substituted, it weakens the power of the business in the market. • 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. • Change/improve the design and quality of their products to remain competitive.

Study copy distributed by EduResource ZA | eduresourcza.com

Activity 3

3.1 Identify the force of Porter's Five Forces model that applies to Nurse Hair Salon in Each statement below.

3.1.1 Tumi opened a new hair salon across the street offering services at lower prices than Nurse.

3.1.2 Nurse's Hair Salon is highly profitable and attracts many new entrepreneurs to enter this market.

3.1.3 JJ Cosmetics delivers high quality products to Nurse Hair Salon.

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

STORNIA UNIQUE CAKES (SUC)

Stornia Unique Cakes specialises in designing birthday cakes. Stornia scanned the environment as part of the strategic management process. She only needed a small amount of capital to start her business. Ace Wholesalers is the only provider in the area from whom she buys her baking ingredients.

3.2.1 Identify TWO forces of Porter's Five Forces model that are applicable to SUC. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 3.2.1.

PORTER'S FIVE FORCES	MOTIVATION
1	
2	

Study copy distributed by EduResource ZA | eduresourcza.com

5 PESTLE ANALYSIS

Explanation

- PESTLE analysis is used to identify and evaluate the factors in the external environment that can influence the business.
- PESTLE analysis enables to businesses to have a better understanding of the external environment and the industry in which it competes.

PESTLE	CHALLENGES	RECOMMENDATIONS
Political	• 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.	• 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	• Inflation/Interest/exchange rates may negatively impact on business. • Loans may be expensive due to high interest rates. • Fluctuations in foreign currency may restrict import	• 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	• 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.	• Sell substitute/generic products at lower prices. • Learn local languages/Hire employees who are well conversant with the local language.
Technological	• 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.	• 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

Study copy distributed by EduResource ZA | eduresourcza.com

Legal	• 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/trade mark/patent may prevent some establishments. • Legalities of business contracts may limit business operations	• 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	• 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	• 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.

Study copy distributed by EduResource ZA | eduresourcza.com

Activity 4

4.1 Identify the PESTLE element that poses a challenge to Steve Manufacturers in EACH statement below.

4.1.1 Customers cannot afford to buy Steve Manufacturers' products due to low-income levels.

4.1.2 Steve Manufacturers cannot afford to implement correct measures when disposing of waste material.

4.1.3 Steve Manufacturers have lost many customers due to a lack of on-line buying facilities.

4.1.4 Steve Manufacturers have increased their prices due to the high inflation rate.

(8)

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

MPOPANE & JULIA FURNITURE (MJF)

Mpopane & Julia Furniture specialise in selling office furniture. The profitability of the business has decreased due to high inflation rates and low-income levels of customers. MJF had to pay a hefty (heavy) fine because they did not renew their trading licence in time.

4.2.1 Quote THREE challenges for MJF from the scenario above. (3)

4.2.2 Identify the PESTLE element that links to EACH challenge, as quoted in QUESTION 4.2.1.

4.2.3 Recommend ONE way in which MJF can deal with EACH challenge, as identified in QUESTION 4.2.2.

Use the table below as a GUIDE to answer QUESTION 4.2.

CHALLENGES (4.2.1)	**PESTLE ELEMENT (4.2.2)**	**RECOMMENDATION (4.2.3)**
1		
2		
3		

Study copy distributed by EduResource ZA | eduresourcza.com

6 TYPES OF BUSINESS STRATEGIES

6.1 INTEGRATION STRATEGIES

TYPE	EXPLANATION
Forward vertical integration	• 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. • E.g. *A fashion designer open his own clothing retail store.*
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. • *E.g., Clothing retail store buys a clothing manufacturing business.*
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. • E.g., *Takeover of competitors or business with substitute or complementary products that you sell.*

6.2 INTENSIVE STRATEGIES

TYPE	EXPLANATION
Market penetration	• New products penetrate an existing market at a low price, until it is well known to the customers and then the prices increase. • It is a growth strategy where businesses focus on selling existing products to existing markets. • Focuses on gaining a larger share of the market by reducing prices to increase sales/increasing advertising and promotion. • Through lowering prices, increase the marketing staff, more advertising, and promotions. • 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. • E.g., Finding new markets in other towns and cities.
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. • E.g., A cell phone manufacturer designs a new phone that can also be used to make internet phone calls.

Study copy distributed by EduResource ZA | eduresourcza.com

6.2.1 ADVANTAGES OF INTENSIVE STRATEGIES

Advantages
• Increase in sales/income/profitability due to variety of advertising campaigns. • Regular sales to existing customers may increase. • Gain customer loyalty through effective promotion campaigns. • Improved service delivery may improve business image. • Eliminate competitors and dominate market prices. • Decrease in price may influence customers to buy more products. • Businesses may have more control over the prices of products/services. • 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.

6.3 DIVERSIFICATION STRATEGIES

TYPE	EXPLANATION
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 products range and markets. • E.g., One car manufacturer takes over another, but the cars are still sold under the separate brands
Horizontal diversification	• The business adds new products or services that are unrelated to existing products, but which may appeal to existing 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. • E.g., Clothing store starts selling cosmetics
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 a new products, services, and markets. • E.g., Cell phone company starts selling cosmetic ranges

6.3.1 ADVANTAGES OF DIVERSIFICATION STRATEGIES

Advantages
• 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 few industries or product line can help create a balance during economic fluctuations. • Business produces more output using less inputs as one factory may be used to manufacture more products.

Study copy distributed by EduResource ZA | eduresourcza.com

6.4 DEFENSIVE STRATEGIES

TYPE	EXPLANATION
Divestiture/ Divestment	• Disposing/Selling some assets/divisions that are no longer profitable/productive. • Selling off divisions/product lines with slow growth potential. • Decreasing the number of shareholders by selling ownership. • Paying off debts by selling unproductive assets. • Withdrawing their investment share in another business (divesting)
Liquidation	• Selling all assets to pay creditors due to a lack of capital. • Selling the entire business to pay shareholders a fair price for their shares. • Allowing creditors to apply for forced liquidation to have their claims settled.
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.

6.5 **Steps in strategy evaluation**

- Examine the underlying basis of a business strategy.
- Look forward and backward into the implementation process.
- Compare the expected performance with the actual performance.
- Measure business performance 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 implementation of a strategy in the internal and external environments of the business.

NOTE: The steps may be in any order.

Study copy distributed by EduResource ZA | eduresourcza.com

Activity 5

5.1 Identify the type of business strategy illustrated in EACH of the statements below

5.1.1 Alex Clothing Manufacturers took over Class Clothing Retailers for efficiency and profitability.

5.1.2 Moyeni Supermarkets in Potchefstroom reduced the prices of their products to increase sales.

5.1.3 Exclusive Books expanded their business by selling stationery to attract new customers.

5.1.4 Speedy Motor Spares added fishing equipment to their product line. **(8)**

5.2 Identify the type of defensive strategy that Mega Constructions applied in EACH statement below:

5.2.1 Mega Constructions sold all their assets in order to pay their creditors.

5.2.2 They terminated the employment contracts of many employees to reduce costs.

5.2.3 Management decided to close their unproductive information technology department. **(6)**

Study copy distributed by EduResource ZA | eduresourcza.com

ADDITIONAL REVISION QUESTIONS

SECTION A

QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK, e.g., 1.1.6 D.

1.1.1 Tasty Milkshakes implemented the … diversification strategy when they added fruit shakes to their existing menu.

A vertical
B concentric
C horizontal
D conglomerate

1.1.2 Businesses may lose many clients when their prices are increased because of an increase in the interest rate. This is an example of the … factor as a PESTLE element.

A technological
B economic
C physical
D environmental

1.1.3 It was easy for Sea Fish & Chips to acquire a trading licence. This refers to the … as an element of Porter's Five Forces.

A power of suppliers
B threat of substitution/substitutes
C power of buyers
D threats/barriers for new entrants to the market

1.1.4 Peter, a vegetable farmer, implemented the ... integration strategy when he bought the fruit and vegetable stall that sells his products.

A forward
B backward
C intensive
D horizontal

Study copy distributed by EduResource ZA | eduresourcza.com

1.1.5 Hlombi Ltd has sold some of their assets to improve their cash flow. This business strategy is known as …

A liquidation.
B retrenchment.
C divestiture.
D diversification.
(5×2) (10)

SECTION C

King Clothing specialises in the manufacturing of men's clothing. The business is struggling to pay its creditors due to the high inflation rate. King need to conduct the strategic management process in order to devise the best strategy that will assist them to overcome the challenges of the macro environment.

Write an essay on the strategic management process in which you include the following aspects in your response:

- Outline TWO aspects that should be considered during the initial stages of the strategic management process.
- Explain how King can apply the PESTLE model to deal with the challenges of the macro environment.
- Describe THREE types of defensive strategies that businesses may use to deal with challenges in the business environment.
- Advise King on the steps that they should consider when evaluating strategies.

[40]

Study copy distributed by EduResource ZA | eduresourcza.com

SUGGESTED ANSWERS

BUSINESS STRATEGIES

Activity 1

Strategic management process

OPTION 1

- Have a clear vision, 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 business challenges.✓✓
- Develop (an) action plan(s), including the tasks to be done/deadlines to be met/resources to be procured ✓✓, etc.
- Organise the business resources and motivate staff.✓✓
- Implement selected strategies√ by communicating it to all stakeholders. ✓✓
- Continuously evaluate/monitor/measure strategies√ to take corrective action.✓✓

OPTION 2

- Review the vision statement. ✓✓
- Analyse/Re-examine 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. ✓✓

Activity 2

SWOT ANALYSIS FOR CW

STRENGTHS	**WEAKNESSES**
They employ qualified technicians to do the installations. ✓	CW does not have a reliable bookkeeping system. ✓
Sub max (1)	Sub max (1)
OPPORTUNITIES	**THREATS**
Other businesses who offer the same services are closing. ✓	The business is in a high crime area. ✓
Sub max (1)	Sub max (1)

NOTE: Responses must be quoted from the scenario

Max **(4)**

Study copy distributed by EduResource ZA | eduresourcza.com

Activity 3

3.1 **Porter's Five forces**

3.1.1 Power of competitors/Competitive rivalry ✓✓

3.1.2 Threat of new entrants to the market ✓✓

3.1.3 Bargaining power of suppliers/Power of suppliers ✓✓ **(6)**

Porter 's Five Forces model from the scenario

3.2

PORTER'S FIVE FORCES	MOTIVATION
Threat/barriers of new entrants to the market ✓✓	She only needed a small amount of capital to start her business. ✓
Power of suppliers ✓✓	Ace Wholesalers is the only provider in the area from whom she buys her baking ingredients. ✓
Sub max (4)	Sub max (4)

NOTE: Ensure forces are correctly identified

Max **(6)**

Activity 4

4.1 **PESTLE elements**

4.1.1 Social ✓✓

4.1.2 Environmental ✓✓

4.1.3 Technological ✓✓

4.1.4 Economical ✓✓ (8)

Study copy distributed by EduResource ZA | eduresourcza.com

4.2 **PESTLE analysis**

CHALLENGES 4.2.1	PESTLE ELEMENTS 4.2.2	RECOMMENDATIONS 4.2.3
The profitability of the business has decreased/due to high inflation rates. ✓ Sub max (1)	Economic ✓✓ Sub max (2)	• Reduce the profit margin. ✓✓ • Cut down on unnecessary spending. ✓ Sub max (2)
Low-income levels of customers. ✓ Sub max (1)	Social ✓✓ Sub max (2)	• Offer learnerships/bursaries to members of the community. ✓✓ • Offer skills development programmes. ✓✓ Sub max (2)
MJF had to pay a hefty (heavy) fine because their trading license was not renewed on time. ✓ Sub max (1)	Legal ✓✓ Sub max (2)	• Renew the trading licence on time. ✓✓ • Review the administrative clerk's job • description. ✓✓ • Diarise the renewal date and follow up with the • administrative clerk. ✓✓ Sub max (2)
Max (3)	Max (6)	Max (6)

Activity 5

5.1 **Business strategies**

5.1.1 Forward vertical integration ✓✓

5.1.2 Market penetration ✓✓

5.1.3 Concentric diversification ✓✓

5.1.4 Conglomerate ✓✓

(8)

5.2 **Defensive Strategies**

5.2.1 Liquidation ✓✓

5.2.2 Retrenchment ✓✓

5.2.3 Divestiture/Divestment ✓✓ (6)

Study copy distributed by EduResource ZA | eduresourcza.com

ADDITIONAL REVISION: ANSWERS

SECTION A

QUESTION 1

1.1

1.1.1 C ✓✓

1.1.2 B ✓✓

1.1.3 D ✓✓

1.1.4 A ✓✓

1.1.5 C ✓✓

(2×5) (10)

SECTION C

BUSINESS ENVIRONMENT (BUSINESS STRATEGIES)

1 **Introduction**

- A strategy is course of action that the business follows to achieve its purpose/ objectives. ✓
- The strategic management process is defined as the way an organisation defines its strategy. ✓
- The strategic management process enables managers to make choice of a set of strategies that will enable the business to achieve better performance. ✓
- PESTLE analysis is used to identify and evaluate the factors in the external
- environment that can influence the business. ✓
- PESTLE analysis enables to businesses to have a better understanding of the external environment and the industry in which it competes. ✓
- Defensive strategies enable business to solve challenges that are posed by the macro environment. ✓
- A business strategy must be evaluated in each stage of operation to measure performance. ✓

Any (2×1) **(2)**

2 **Initial stages of the strategic management process**

- 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 and Porter's Five Forces model (industrial analysis tools). ✓✓

OR

- Review vision statement. ✓✓
- Analyse/Re-examine mission statement. ✓✓
- Conduct an analysis using models such as PORTER'S Five Forces model and SWOT. ✓✓

NOTE: The initial process may be in any order.
Mark the first TWO (2) only.
Do not award marks for the PESTLE model and the remaining stages of the strategic management process.

Study copy distributed by EduResource ZA | eduresourcza.com

3 Application of PESTLE model to deal with the challenges in the macro environment

FACTORS	APPLICATION
Political ✓	• Network and lobby with the NGOs✓ and all consumer rights organisations.✓ • Trade only with countries that have favourable trade agreements✓ with the government.✓ • Review their cash budget ✓ to cater for changes in the inflation rate.✓
	Sub max (4)
Economic✓	• King should consider decreasing their profit margin✓ rather than increasing the price of their products.✓ • Negotiate favourable interest rates✓ with creditors.✓ • Negotiate payment terms✓ with suppliers.✓ • Sell/Dispose parts of assets✓ that are no longer profitable.✓
	Sub max (4)
Social ✓	• Sell substitute products✓ at lower prices.✓ • King must be well conversant✓ with the demands/trends of their customers.✓
	Sub max (4)
Technological ✓	• ZM must keep up with/be aware of✓ the latest technology.✓ • Train existing/appoint new employees✓ to maintain/use new equipment.✓ • King must budget✓ to cater for new technology.✓ • Continuously research✓ on the latest available technology / equipment in the market.✓ • Continuously improve✓ their product designs.✓ • King should ensure that their business is geared✓ for online trading/e-commerce.✓ • King should have access to new technologies✓ that could redefine their products.✓ • Compare prices/Select suitable suppliers✓ for new equipment at reasonable prices.✓
	Sub max (4)
Legal✓	• There are certain laws✓ that affect the business environment in certain industries/ market.✓ • Comply with all relevant legislation ✓ that may impact on their business. ✓ • Comply with the legal requirements✓ for operating their business e.g. licence/trade mark registration/patents. ✓ • Budget✓ for high legal establishment costs.✓
	Max (4)
Environmental ✓	• Packaging of their products ✓ should be environmentally friendly/may be recyclable. ✓ • Measures to dispose waste material✓ must be in place. ✓ • Implement recycling measures✓ to prevent pollution of the environment. ✓
	Sub max (4)

NOTE: Each PESTLE element must be linked to the application.

Factors: Max (6)

Application: Max (16)

Max: **(22)**

Study copy distributed by EduResource ZA | eduresourcza.com

4 Types of defensive strategies

4.1 **Divestiture/ Divestment** ✓✓

- 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).✓
- Aims at acquiring ✓additional capital. ✓

Strategy (2)
Description (2)
Sub max (4)

4.2 **Liquidation** ✓✓

- All assets are sold to pay creditors✓ due to a lack of capital.✓
- Selling the entire business✓ to pay shareholders a fair price for their shares.✓
- Creditors may apply for forced liquidation✓ to have their claims settled.✓
- Companies in financial difficulty may apply for business rescue✓ to avoid liquidation.✓

Strategy (2)
Description (2)
Sub max (4)

4.3 **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. ✓

Strategy (2)
Description (2)
Sub max (4)

Max **(12)**

NOTE: Mark the first THREE (3) only

5 Steps in evaluating strategies

- Examine the underlying basis of a business strategy. ✓✓
- Formulate strategies to meet objectives favourably. ✓✓
- Implement strategies using action plans✓✓, etc.
- Look forward and backwards into the implementation process. ✓✓
- Compare the expected results 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. ✓✓

NOTE: The steps may be any order

Max **(8)**

Study copy distributed by EduResource ZA | eduresourcza.com

6 Conclusion

- The strategic management process is an integral part of managerial accountability for senior managers. ✓✓
- Businesses that apply the PESTLE analysis can respond quickly to the external pressures and adapt to them. ✓✓
- Businesses must continuously evaluate strategies to change/adapt it according to current demands of the market/industry. ✓✓
- Businesses that successfully monitor and respond to changes in the microenvironment can differentiate from the competition and create a competitive advantage. ✓✓
- Defensive strategies are used when a business wants to avoid problems that may arise in future. ✓✓
- It is also a strategy to protect the business from suffering a loss of income/sales/market share. ✓✓

Any (1×2) (2)

[40]

Study copy distributed by EduResource ZA | eduresourcza.com

BUSINESS SECTORS AND THEIR ENVIRONMENTS

1 Key Concepts

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 other businesses/provides auxiliary services.
Business Environments	All the internal and external factors that affect the functioning of a business, e.g. micro, market and macro environments.
Micro environment	This environment is the 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.

2 TYPES OF BUSINESS SECTORS

Primary sector	Secondary sector	Tertiary sector
• Deals with extraction of raw materials and natural resources. • Natural resources which are not man-made. • Examples coal, gold, fish, and livestock	• This 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: manufacturing, clothing, food processing, building and construction are found in this sector	• Renders services to the public and businesses. • It includes services from transport, banking, legal and health. • Examples: distribution, banking, insurance, tourism, transportation, entertainment, retail, and legal services.

Study copy distributed by EduResource ZA | eduresourcza.com

3 Business challenges from given scenarios/case studies and classify them according to the THREE business environments

Possible Challenges	Business environment	Extent of control
• Lack of vision and mission • Action of unions strikes and go-slows. • High rate of absenteeism/difficult employees	Micro-environment	Full control
• Shortage of supply • Competition • Socio-cultural factors	Market environment	Partial/Some/Limited/Less control
• Political changes • HIV/AIDS • Labour restrictions • Socio-economic issues	Macro environment	No control

Study copy distributed by EduResource ZA | eduresourcza.com

Activity 1

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

BOKSBURG FRUIT GROWERS (BFG)

Boksburg Fruit Growers owns a fruit farm. They supply apples and oranges to Palms Fruity Manufacturers which produce different juices. Kim Supermarket sells fruit juices to the local community. Recently sales and profitability at Kim Supermarket showed a decline. The management analysed the three-business environments which revealed the following reasons for the decline:

- His employees lack good communication skills.
- Many customers supported Three Ace's store due to lower prices.
- Office equipment was stolen due to high crime rate in the area

1.1 Name the business sector in which EACH of the following businesses operate. Motivate your answer by quoting from the scenario above (6)

Use the table below as a GUIDE to answer QUESTION 1.1

BUSINESS SECTOR	MOTIVATION

1.2 Quote THREE challenges from the scenario above that Kim Supermarket experienced. (3)

1.3 Classify EACH challenge according to the THREE business environment (6)

1.4 State the extent of control BFG has over EACH business environment classified QUESTION 1.3 (6)

Use the table below as a GUIDE to answer QUESTIONS 1.2 to 1.4

Challenge	Business environment	Extent of control
1.		
2.		
3.		

Study copy distributed by EduResource ZA | eduresourcza.com

SUGGESTED ANSWERS

BUSINESS SECTORS AND THEIR ENVIRONMENTS

Activity 1

1.1

BUSINESS SECTOR	MOTIVATION
Primary sector ✓	Boksburg Fruit Growers owns a fruit farm ✓
Secondary sector ✓	Palms Fruity Manufacturers which produce different juices. ✓
Tertiary sector ✓	Kim Supermarket sells fruit juices to the local community. ✓

Challenges of business environments and extent of control

CHALLENGES 1.2	BUSINESS ENVIRONMENT 1.3	EXTENT CONTROL 1.4
His employees lack good communication skills. ✓	Micro ✓	Full control ✓
Many customers supported Three Ace's store due to lower prices.✓	Market ✓	Partial/Some/Limited/Less control ✓
Office equipment was stolen due to high crime rate in the area. ✓	Macro ✓	No control ✓
Max (3)	Max (3)	Max (3)

NOTE: The challenge must be linked to the business environment.
The extent of control must be linked to the business environment. (9)

Study copy distributed by EduResource ZA | eduresourcza.com

BUSINESS OPERATIONS

HUMAN RESOURCES

MIND-MAP

BROAD TOPIC: BUSINESS OPERATIONS

SUB-TOPIC: HUMAN RESOURCES

Overview of the topic

- The human resource function plays a critical role in every organisation. The human resource function deals with all aspects within the organisation that relates to employees. It is important that the human resource function ensures that the right employees are appointed in all vacant positions in the business.
- The business must also ensure that the employees' conditions of service and labour rights are adhered to when appointments are made.

Key concepts:

These definitions will help you understand the meaning of key concepts relevant to Human Resources

Terminology	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
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.

Study copy distributed by EduResource ZA | eduresourcza.com

Fringe benefits	• Compensation beyond a regular wage or salary an employee, which are exempt from taxation if certain conditions are met.
BCEA	• This Act regulates labour practices and sets out the rights and duties of employees and employer.
EEA	• Requires employers to engage in proactive employment practices to increase the representation of designated groups in the workplace.

1. 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.

Job analysis	Explanation	Examples
Job specification	• Identifies the skills, knowledge and experiences a person must have to perform the task described in the job description. • It is a written description of the characteristics and qualification of the person that will fill the job.	• Bookkeeper • Developing Standards • Analysing Information • Data Entry Skills • Accounting • Attention to detail • Qualifications required • Training required • Expertise and skills required
Job description	• Describes the duties and responsibilities that an employee must perform. • It is a description of the job and its requirements	• Bookkeeper • Maintains records of financial transactions by establishing accounts • Posting transactions

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 1

1.1 Read the job advertisement below and answer the questions that follow.

VACANCY: BUSINESS MANAGEMENT
Job title: Human Resources Manager **Qualifications**: B. Com degree **Experience:** At least five years as an HR practitioner in the middle level Key performance areas: Develop recruitment policy and offer performance incentives. Total package: R275 450 per annum Pension fund, medical aid fund and housing subsidy

1.1.1 Identify TWO examples of job description and TWO examples of job specification in the advertisement above. (4)

2 Human Resource activities

2.1 Recruitment

- Recruitment is the process used by business 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.

Recruitment procedures:

- The human resource manager (HRM) should prepare the job description to identify recruitment needs.
- HRM should indicate the job specification/description/key performance areas to attract suitable candidates.
- Prepare a job analysis which includes job specification/job description.
- A decision whether to recruit internally should be made to identify suitable candidates from within the business.
- 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 selected media that will ensure that the best candidates apply.

Study copy distributed by EduResource ZA | eduresourcza.com

Types of Recruitment

Internal Recruitment	External Recruitment
• Is when existing employees are recruited to fill a vacancy in the organisation/ inside the business/being done via email, poster, or internal memorandum.	• Is when the job applicants are recruited from outside the organisation to fill a vacancy in the organisation/outside the business/ advertisement or internet.
Sources	**Sources**
• Promotions – Promoting an employee to a higher position • Transfers – Moving an employee from one position to another of a similar level of responsibility • Internal referrals-recommendations from another employee, often a supervisor • Internal advertisements –Job postings on bulletin boards or through emails	• Job advertisements in newspapers and on websites • Recruitment agencies • Campus recruitment being done at tertiary institutions • External referrals-recommendations from employees regarding people outside the organisation • CV pool from past applicants

Impact of Internal Recruitment

Advantages/Positives	Disadvantages/Negatives
• Its faster if the candidates are known. • No extra cost involved in advertising. • Motivates employees with • opportunities of promotion • Good way of retaining talented and hardworking employees	• Existing relationship could make it difficult to judge the employee objectively. • Could cause resentment. • among employees who are not promoted • No fresh ideas introduced to the business. • Creates a new vacancy to be filled

Impact of External recruitment

Advantages/Positives	Disadvantages/Negatives
• Less chance of being biased owing to existing relationships. • New employees can bring fresh ideas into the organisation. • Larger number of workers to choose from helps finding the best talent with the right skills. • Minimises conflict amongst current employees who applied for the same position	• Takes longer to fill the vacancy. • Extra costs are involved e.g., advertising cost / outsourcing. • Could decrease morale of current employees. • It may take time for the new employee to adjust to the new environment

Study copy distributed by EduResource ZA | eduresourcza.com

2.2. Selection

Selection is done to choose between applicants who is most likely to succeed in the advertised position.

Selection procedure

- 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.
- 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.
- Compile a shortlist of potential candidates identified.
- Invite shortlisted candidates for an interview.
- A written offer is made to the selected candidate.
- Inform unsuccessful applicants about the outcome of their application

Interview

Refers to a conversation between a job applicant and a representative and an employer which is conducted to assess whether the applicant should be hired for a vacancy.

Purpose of the interview:

- To determine a candidate's suitability for the job.
- Match the information given by the applicant /CV with the requirements of the job.
- To get more information from the applicant e.g., Employee's strengths and weaknesses.
- Evaluate the skills/personal characteristics of the applicant.
- Provides the applicant with the opportunity to find out more about the job/salary/working conditions and the business.

Role of the interviewer before the interview

- The interviewer should develop a core set of questions based on the skills/knowledge/ ability required.
- The interviewer should check the application/verify the CV of
- every candidate for anything that may need to be explained.
- Book and prepare the venue for the interview.
- Set the interview date/Ensure that all interviews take place on the same date, if possible.
- Inform all shortlisted candidates about the date and place of
- the interview.
- Notify all panel members conducting the interview about the date and place of the interview.

Study copy distributed by EduResource ZA | eduresourcza.com

During the interview	
Role of the interviewer/Employer	Role of the interviewee/ applicant
• Allocate the same amount of time to each candidate.	• Greet the interviewer by name with a solid handshake and a friendly smile.
• Introduce members of the interviewing panel to each candidate/interviewee.	• Listen carefully to the questions. • before responding.
• Make the interviewee feel at ease.	• Make eye contact and have good posture/body language.
• Make eye contact and have good posture/body language.	• Show confidence and have a positive attitude

2.3 Contract

It is a legally binding written agreement between employer and employee.

Aspects to be included in the employment contract

- Name/Address/Contact details of Employer.
- Personal details/Address of Employee.
- Job title/position Job description & Job specification
- Working hours, e.g., normal time / overtime
- Salary/Remuneration package.
- Termination of the contract
- Leave conditions
- Signature of both employer and employee

Legalities of the employment contract

- Employment contract is an agreement between the employer and the employee and is legally binding.
- Employer and employee must agree to any changes to the contract.
- Both parties must have contractual capacity to enter a contract.
- Aspects of the employment contract can be re-negotiated during employment.
- The employment contract should include a code of conduct and code of ethics
- It may not contain any requirements that are in conflict with the BCEA
- The remuneration package/including benefits must be clearly indicated
- The employer must allow the employee to thoroughly read through the contract before it is signed

Reasons for the termination of 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.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 2

2.1 Identify the reasons for the termination of employment contract from the given statements:

2.1.1 ABC Traders make use of the latest technology available, and the result is some of its workers losing their jobs.

2.1.2 Mrs Mokoena terminated his contract for a promotion post at another company.

2.1.3 Rose is always reporting late for work and as a result her temporary contract was not renewed.

(6)

2.4 Induction

Induction refers to a process of introducing new employees to their job and the working environment.

Purpose of induction

- Introduce new employees to management/colleagues to establish relationships with fellow colleagues at different levels.
- 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.
- Communicate information about the products/services of the organisation.
- Allow new employees the opportunity to ask questions that will reduce insecurity/anxiety/fear.

Aspects that should be included in an induction programme

- Safety regulations and rules.
- Overview of the business.
- Information about the business products/services.
- Meeting with senior management who will explain the company's vision/values/job descriptions/ daily tasks.
- Tour of the premises/Introduction to key people and close colleagues.
- Discussion on employee benefits.
- Assign a senior colleague to act as a mentor.

Benefits/Advantages of induction

- New employees who are familiar with the business's procedures/ rules may easily adapt to his/ her new work environment.
- New employees learn more about the business and understand their role in the business/what is expected in the job.
- Increased productivity and quality of service/performance.
- Minimises the need for on-going training and development.
- Better focused training may be provided based on the results obtained from the induction process

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 3

3.1 State THREE aspects that should be included in the induction programme. **(3)**

2.5 Placement

- It refers to a process of matching the skills and abilities of an applicant to the requirements of a vacancy.

Placement procedure

- Outline specific responsibilities/expectations of a new position.
- Determine the employee's strengths/weaknesses/skills/ interests by subjecting to various psychometric tests.
- Determine the relationship/similarities between the expectations of the position and the competencies of the new employee

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.
- A training program allows you to strengthen those skills that each employee needs to improve on.
- Employees who feel appreciated and challenged through training opportunities may feel more satisfaction toward their jobs.
- Productivity usually increases when a company implements training courses.
- Ongoing training and up skilling of the workforce can encourage creativity.
- Having a strong and successful training strategy helps to develop your employer brand

2.6 Salary determination

Differences between piece meal and time-related remuneration

Piecemeal remuneration	Time- related remuneration
• Workers are paid according to the number of items/units • produced/action performed.	• Workers are paid for time they spend at work/on a task.
• Workers are not remunerated for the number of hours worked, • regardless of how long it took to complete the items.	• Workers with the same experience/qualifications are paid on salary scales regardless of the amount of work done.
• Mostly used in factories particularly in the textile/technology industries	• Many private and public-sector businesses use this method.

Study copy distributed by EduResource ZA | eduresourcza.com

3. **The link between salary determination and the Basic Conditions of Employment Act**

- 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.
- Payment of salaries should be based on whether the employee is permanent or employed on a fixed contract.
- Businesses are supposed to deduct income tax (PAYE) from the employees' taxable salaries.
- BCEA outlines legalities, such as the employment contract, which may affect salary determination

4 **Fringe Benefits**

Examples of fringe benefits

- Medical aid (insurance paid for employees to cover medical expenses- The money is placed in a fund every month and deducted from their salaries).
- Pension/Provident funds – permanent employees (money is placed in a fund every month for when the employee retires
- Travel allowance, car allowance or company cars
- Cell phone/ housing allowance/ uniform allowance
- Cafeteria providing free meals
- Performance based incentives e.g., performance bonus
- Unemployment Insurance

Impact of fringe benefits on businesses

Positives/Advantages

- Attractive fringe benefit package may result in higher employee retention/reduces employee turnover.
- Reduces the staff turnover as new employees have been inducted properly.
- It increases employee satisfaction/loyalty as they may be willing to go the extra mile.
- Improves productivity resulting in higher profitability.
- Businesses save money as benefits are tax deductible.

Negatives/Disadvantages

- Fringe benefits are additional costs that may result in cash flow problems.
- Administrative costs increase as benefits need to be correctly recorded for tax purposes.
- Decreases business profits, as incentive/package/remuneration costs are higher.
- It can create conflict/lead to corruption if allocated unfairly.
- Businesses who cannot offer fringe benefits fail to attract skilled workers

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 4

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

FIZZER FURNISHERS (FF)
Fizzer Furnishers have appointed Karen and Simon as sales managers. Karen is paid according to the number of units sold and Simon is paid according to the time spent at work. They also enjoy fringe benefits offered by FF.

4.1.1 Identify the method used by FF to determine Karen and Simon's salaries. Motivate your answer by quoting from the scenario above (6)

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

EXAMPLE OF AN ESSAY QUESTION ON HR

Delta Manufacturers has a vacancy for a sales executive. The human resources manager implemented the selection procedure after compiling a job analysis. Prospective candidates were invited for an interview. Fringe benefits were offered to the successful candidate

Write an essay on the activities of the human resources function in which you include the following aspects:

- Outline the selection procedure as a human resource activity.
- Explain the TWO components of job analysis.
- Discuss the role of the interviewer during the interview.
- Evaluate the impact of fringe benefits on Delta Manufacturers as a business

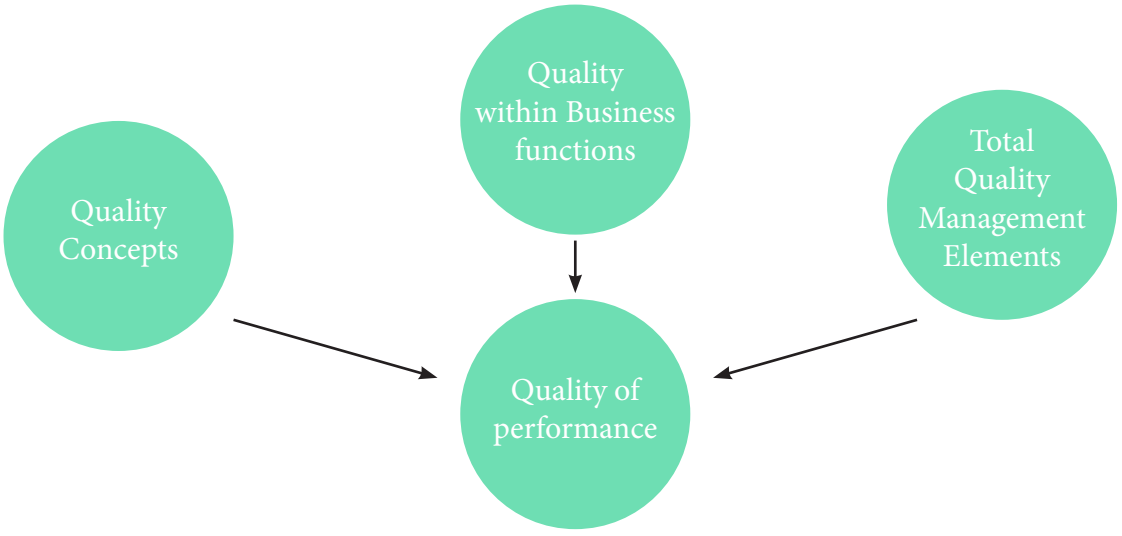
[40]

Source the answers from the notes above

Study copy distributed by EduResource ZA | eduresourcza.com

QUALITY OF PERFORMANCE

MIND-MAP



Overview of the topic

- Businesses realise the importance of quality management in maintaining customer satisfaction and reducing the cost of replacing faulty/inferior products.
- Businesses who do not improve on the quality of products and services run a risk of losing customers to competitors and having a bad publicity.

Key concepts:

These definitions will help you understand the meaning of key concepts relevant to Quality

Terminology	Definition
Quality	• The product or service, that meets the need and expectations of customers
Standards	• The specific of what is acceptable in terms of technical requirements
Total Quality Management	• Quality involves all business functions and is the responsibility of all employees, not only mangers.
Business functions	• The various aspects of the business that preform different roles.
SABS	• South African Bureau of standards, body that sets quality standards and evaluates quality of final.
ISO9001	• Set of internationally set for different industries.
Brand awareness	• A marketing concept that improves a person's knowledge of a type of product or brand.
PDCA	• Plan, Do, Check and Act
Quality management systems	• All policies, processes, strategies, and resources needed to apply quality

Study copy distributed by EduResource ZA | eduresourcza.com

1 **Definition of quality concepts:**

Quality

- Quality refers to a good/service's ability to satisfy a specific need.
- The efficiency of a 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 to ensure that it meets the required 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 to ensure required standards have been met at every stage of the process.
- Ensuring that every process is aimed to get the products 'right first time' and prevent mistakes ever happening. This is known as a 'zero defect' approach.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 1

1.1 Explain the differences between quality control and quality assurance. (4)

2. Benefits of good quality management systems

- Effective customer services will be rendered, resulting in an increased customer satisfaction.
- Time and resources are used efficiently.
- Productivity increase through proper time management and using high quality resources.
- Products and services are constantly improved.
- Vision and mission may be achieved.
- The business may achieve a competitive advantage over its competitors.
- Continuous training will continuously improve the quality of employees' skills and knowledge.
- Employers and employees will have a healthy working relationship which results in happy workers.
- Increased market share and profitability

3. Quality indicators for each business function

Business function	**Quality indicators**
Purchasing function	• 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/Do regular follow-ups to ensure that goods are delivered on time. • Required quantities are delivered at the right time/place. • Implement/Maintain stock control systems to ensure the security of stock.
Marketing function	• Increasing their market share. • Winning customers by satisfying their needs/wants/Building positive relationships • Differentiating products to attract more customers. • Constantly reviewing value issues.
Production function	• Products and services should be produced at the lowest possible cost to allow for profit maximisation. • Accurately calculate the production costs. • 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.
Public Relations	• 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.

Study copy distributed by EduResource ZA | eduresourcza.com

Administration	• 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.
Financial	• Obtain capital from the most suitable/available/reliable sources. • Negotiate better interest rates 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
Human Resource	• Good recruitment policy that attracts best candidates. • Fair and equitable selection process • Fair remuneration packages that are aligned to the industry. • Offer performance incentives for staff to enhance productivity.
General management	• Develop/Implement/Monitor effective strategic plans/goals. • Learn about/Understand changes in the business environment on an on-going basis. • Set direction and establish priorities for the business. • Communicate shared vision, mission, and values effectively.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 2

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

BRIAN SHOE FACTORY (BSF)
Brian Shoe Factory bought raw materials from Simba Suppliers who did not deliver on time. This resulted in delays in the manufacturing process. BSF is concerned about their productivity levels.

2.1.1 Identify TWO business functions that are applicable to BSF. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 2.1.

BUSINESS FUNCTIONS	MOTIVATION

(6)

2.2 Advise BFL on the quality indicators for EACH business function identified in QUESTION 2.1.1.

(6)

4. TOTAL QUALITY MANAGEMENT (TQM)

- Total Quality Management refers to all aspects of quality within the business. It is the responsibility of everyone in the organisation from top management to general workers.
- Businesses strive to get it right the first time by implementing the elements of TQM.
- The focus is on improving the quality of products and services to satisfy the needs of customers.

Elements of TQM:

4.1. Continuous skills development / education and training

- A skills audit should be conducted to determine the qualifications and competence of staff that can influence the quality of products/processes.
- Employees who lack skills should be trained in line with their job descriptions.
- Regularly evaluate the effectiveness of the training.
- Suitable induction programmes that promote quality should be implemented.

4.2. Total client satisfaction

- The business should understand current and future customer needs.
- Quality products and services satisfy customer's needs and expectations.
- Customers will be satisfied if products and services meet their needs, requirements, and expectations.
- Businesses need to conduct effective market research to determine customer's needs and to develop products and services that will meet or exceed those needs

Study copy distributed by EduResource ZA | eduresourcza.com

4.3. Adequate financing and capacity

- There should be enough funds available for proper quality management processes, e.g., systems to prevent errors in the process/detect defects in raw materials.
- Funds should be available for market and product research to gather information on quality improvement.
- Suitable equipment should be available for testing and maintaining high quality standards.
- Funds should only be used to buy the best quality raw materials to avoid/prevent faulty products.

4.4. Continuous improvement of processes and systems (including the application of the 'PDCA' model/cycle)

- Processes and systems are the flow of activities implemented to create or deliver products and services to customers.
- Businesses that have quality processes and systems in place will produce good quality products and can provide excellent customer services.
- Employees need to understand the operating system and the service delivery system.
- Give details and specific instructions on the improvement of systems and processes.

The application of the PDCA model / cycle

- Plan:
  E.g., Easy Dairy Farm should identify the problem and develop a plan for improvement / answer questions such as what to do and how to do it.
- Do:
  E.g., Easy Dairy Farm should do as planned/implement the plan on a test basis or small scale.
- Check/Analyse:
  E.g., Easy Dairy Farm should assess plan and establish if it is working and if things are going according to plan.
- Act as needed:
  E.g., Easy Dairy Farm should institutionalise the improvement and devise strategies on how to continually improve.

4.5. Monitoring and evaluation of quality processes

- Monitoring/Evaluation systems and quality assurance processes should be in place to prevent product defects and wastages.
- Allow for quality control checks and procedures at key production points.

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 3

3.1 Explain how businesses should apply the PDCA model as part of continuous improvement to processes and systems. (6)

Impact of TQM element on large businesses

Continuous skills development / education and training

Advantages	Disadvantages
• The human resources department is dedicated to skills training and development. • Human resources experts ensure that training programmes are relevant to ensure increased customer satisfaction	• Poor communication system may prevent effective training from taking place. • Trained employees may leave for better jobs after they gained more skills

Total client satisfaction

Advantages	Disadvantages
• The business uses market research to measure/ monitor customer satisfaction/analyse customers' needs. • Continuously promote a positive business image.	• Employees in large companies rarely meet their customers and do not always have a clear idea of what will satisfy their needs. • For customer satisfaction, • involvement to the TQM system is required from all employees.

Adequate financing and capacity

Advantages	Disadvantages
• 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.	• Expansion on large scale can cost more than the business are able to raise thought issuing shares. • The risk is usually very high

Impact of continuous improvement of processes and systems

Advantages	Disadvantages
• The business has resources to check on quality performance in each unit. • Enough capital resources are available for new equipment required for systems and processes	• Implementation of new systems and processes can be time consuming because there are many employees to whom the system should be 'sold' and communicated.

Impact of monitoring and evaluation of quality processes

Advantages	Disadvantages
• May be equipped to get things done right the first time. • Improve performance and maintain high quality standards.	• It often takes longer to detect problems or respond to weaknesses. • It is not viable to check quality of all the products

Study copy distributed by EduResource ZA | eduresourcza.com

Quality circles:

A group of workers who do the same or similar work, who meet regularly to identify, analyse, and solve quality related problems

Importance of quality circles as part of Continuous improvement to processes and systems

- Quality circles discuss ways of improving the quality of work/workmanship.
- Contribute towards the improvement and development of the organisation.
- Reduce costs/wasteful efforts in the long run.
- Increase the demand for products/services of the business.
- Create harmony and high performance in the workplace.

5 **Impact of TQM when 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 to satisfy the needs of customers.

6 **How TQM can impact on the reduction of the cost of quality.**

- Introduce quality circles / small teams of five to ten employees, who meet regularly to discuss ways of improving the quality of their work.
- Schedule activities to eliminate duplication of tasks/activities.
- 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

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 4

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

PETUNIA CARPET MANUFACTURERS (PCM)
Excel Carpet Manufacturers check the quality of the carpets during and after the production process. The chief executive officer (CEO) of PCM uses different techniques to improve the quality of their product

4.1.1 Identify TWO quality concepts that are applicable to ECM. Motivate your answer by quoting from the scenario.

Use the table below as a GUIDE to answer QUSETION 4.1

QUALITY CONCEPTS	**MOTIVATIONS**
1.	
2.	

4.2 Evaluate the impact of total client/customer satisfaction on large business as a total quality management. (6)

4.3 Analyse the negative impact on Petunia Nurseries Ltd if TQM is poorly implemented. (6)

Study copy distributed by EduResource ZA | eduresourcza.com

SUGGESTED ANSWERS TO QUESTIONS IN THE BOOKLET

HUMAN RESOURCES

ACTIVITY 1

1.1 **Job description and job specification**

Job description ✓	Prepare budgets ✓ Manage income and expenditure ✓	(2)
Job specification ✓	B. Com degree/Qualification ✓ At least six years financial management at middle level/Experience ✓	(2)

ACTIVITY 2

2.1 **Termination of employment contract:**

2.1.1 Redundancy ✓
2.1.2 Resignation ✓
2.1.3 Dismissal ✓ (3)

ACTIVITY 3

3.1 **Aspects that should be included in induction process**

- Safety regulations and rules. ✓
- Overview of the business. ✓
- Information about the business products/services. ✓
- Meeting with senior management who will explain the company's vision/values/job descriptions/daily tasks. ✓
- Tour of the premises/Introduction to key people and close colleagues. ✓
- Discussion on employee benefits. ✓
- Assign a senior colleague to act as a mentor ✓ (3)

ACTIVITY 4

4.1 **Methods of remuneration**

Methods	Motivation
Piece- meal ✓✓	Karen is paid according to the number of units sold ✓
Time Related ✓✓	Simon is paid according to the time spend at work ✓

Max **(6)**

Study copy distributed by EduResource ZA | eduresourcza.com

4.2 **Impact of fringe benefits**

Positives/Advantages

- 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.✓
- Improves productivity✓ resulting in higher profitability.✓
- It increases employee satisfaction/loyalty✓ as they may be willing to go the extra mile. ✓
- Fringe benefits can be used as leverage✓ for salary negotiations.✓

AND/OR

Negatives/Disadvantages

- A business which cannot offer fringe benefits✓ fails to attract skilled workers. ✓
- A business which offers employees different benefit plans may create resentment✓ to those who receive less benefit resulting in lower productivity.✓
- It can create conflict/lead to corruption✓ if allocated unfairly.✓
- Fringe benefits are additional costs✓ that may result in cash flow problems for the business.✓
- Errors in benefit plans✓ may lead to costly lawsuits/regulatory fines.✓

Max **(6)**

Study copy distributed by EduResource ZA | eduresourcza.com

QUALITY OF PERFORMANCE

ACTIVITY 1

1.1 **Difference between Quality control and Quality assurance**

Quality control	**Quality assurance**
• Inspection of the final product✓to ensure that it meets the required standards.✓	• Carried out during and after the production process✓ to ensure that required standards have been met at every stage of the process.✓
• Includes setting targets/measuring • performance✓ and taking corrective measures.✓	• Ensures that every process is aimed at getting the product right the first time✓ and prevents mistakes from happening again.✓
• Checking raw materials/employees/ • machinery/ workmanship/ products✓ to ensure that high standards are maintained.✓	• The 'building in' of quality✓ as opposed to 'checking for' quality.✓
Sub max (2)	Sub max (2)

Max **(4)**

ACTIVITY 2

2.1

BUSINESS STUDIES	**MOTIVATION**
Purchasing function ✓✓	Brian Shoe Factory bought raw materials from Simba Suppliers who did not deliver on time. ✓
Production function ✓✓	This resulted in delays in the manufacturing process.✓ BSF is concerned about their productivity levels.✓
Sub max (4)	Sub max (2)

Max **(6)**

Study copy distributed by EduResource ZA | eduresourcza.com

2.2 **Quality indicators**

Purchasing function	Identify suitable suppliers who will be able to source and deliver quality goods and services.✓✓ Maintain and implement an effective stock control system. ✓✓ Ensure that suppliers are paid on time.✓✓ Ensure that there is no break in production due to stock shortages.✓✓ Minimise cash flow problems due to overstocking. ✓✓ Have a thorough understanding of supply chain management.✓✓
	Sub max (4)
Production function	• BSF should provide high quality services according to specifications.✓✓ • BSF should communicate the roles and responsibilities to the production workers.✓✓ • Products meet customers' requirements by being safe, reliable, and durable.✓✓ • BSF should render good after-sales services/honour warrantees. ✓✓ • Empower workers to take pride in their workmanship. ✓✓ • Monitor processes and find the root causes of production problems. ✓✓ • Accurately calculate the production costs. ✓✓
	Sub max (4)
Purchasing function	• Identify suitable suppliers who will be able to source and deliver quality goods and services. ✓✓ • Maintain and implement an effective stock control system. ✓✓ • Ensure that suppliers are paid on time. ✓✓ • Ensure that there is no break in production due to stock shortages. ✓✓ • Minimise cash flow problems due to overstocking.✓✓ • Have a thorough understanding of supply chain management. ✓✓
	Sub max (2)

Max **(8)**

ACTIVITY 3

3.1 **Application of the PDCA model**

Plan

- Businesses 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. ✓
- Establish procedures/resources/quality/policy/risk✓ based thinking to build on effective quality management system. ✓

Sub max (2)

Study copy distributed by EduResource ZA | eduresourcza.com

Do

- Businesses should implement the change✓ on a small scale.✓
- Implement the processes✓ and systems.✓
- Report non-conformances✓ and inspection to prevent escapes to customers.✓

Sub max (2)

Check

- Use data to analyse✓ the results of change.✓
- Determine whether✓ it made a difference. ✓
- Check whether the processes✓ are working effectively. ✓
- Businesses should assess, plan, and establish✓ if it is working/if things are going according to plan. ✓
- Perform audits and analyse historical data✓ to identify opportunities for
- improvement. ✓

Sub max (2)

Act

- 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.✓
- Perform root cause analysis ✓and take corrective actions to drive
- continuous improvement. ✓

Sub max (2)

Max **(8)**

Study copy distributed by EduResource ZA | eduresourcza.com

ACTIVITY 4

4.1 **Quality concepts from the scenario**

QUALITY CONCEPTS	MOTIVATIONS
Quality assurance ✓✓	Petunia Carpet Manufacturers checks the quality of their carpets during and after the production process. ✓
Quality management ✓✓	The chief executive officer (CEO) of PCM uses different techniques to improve on the quality of their product. ✓
Sub max (4)	Sub max (2)

Max **(8)**

4.2 **Impact of total client/customer satisfaction as a TQM element 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 client/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 their 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 meet 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/customer satisfaction. ✓

Max **(8)**

4.3 **Impact if TQM is poorly implemented by businesses**

- Lack of training/skills development✓ may lead to poor quality products. ✓
- Decline in sales✓, as returns from unhappy customer's increase.✓
- Decline in productivity✓, because of stoppage.✓
- High staff turnover✓, because of poor skills development.✓
- Unrealistic deadlines✓ may not be achieved.✓
- Businesses may not be able to make/afford the necessary changes✓ that will satisfy customers' needs. ✓
- Loss of customers✓ may lead to bankruptcy/closure.✓
- Undocumented quality control systems/processes✓ could result in error / deviations from pre-set quality standards.✓

Max **(8)**

Study copy distributed by EduResource ZA | eduresourcza.com

ACKNOWLEDGEMENTS

The Department of Basic Education (DBE) gratefully acknowledges the following officials for giving up their valuable time and families, and for contributing their knowledge and expertise to develop this this study guide for the children of our country, under very stringent conditions of COVID-19.

Writers:
Handri van Rooi, Medupe Mmui, Dawid Uys, Keitumetse Legote, Enoch Rasmeni, Stornia Mvambi, and Gonaseelan Naidoo.

DBE Subject Specialist: Percy Masango

The development of the Study Guide was managed and coordinated by Ms Cheryl Weston and Dr Sandy Malapile.

Study copy distributed by EduResource ZA | eduresourcza.com

basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

ISBN : 978-1-4315-3492-0
High Enrolment Self Study Guide Series
This publication is not for sale.
© Copyright Department of Basic Education
www.education.gov.za | Call Centre 0800 202 993

Study copy distributed by EduResource ZA | eduresourcza.com