



BUSINESS STUDIES

GRADE: 12

2026 REVISED NOTES

TERM:1
TEACHERS' COPY
2026

1. ASSESSMENT IN GRADE 12

1.1 GRADE 12: SUMMARY/FORMAT/OUTLINE OF THE FORMAL END-OF-THE-YEAR EXAMINATION QUESTION PAPERS 1 AND 2.

SECTION	TYPE OF QUESTIONS	MARKS	TIME (minutes)	COGNITIVE LEVEL(S)
A	Compulsory Covers BOTH TOPICS Multiple choice: (5 x 2) (10) Choose the correct word: (5 x 2) (10) Matching items: (5 x 2) (10) Different types of short and objective questions using various assessment styles and covering the entire curriculum for each main topic, e.g. multiple-choice, match columns and choose the correct word.	30	20	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, Name, State, Give, Identify, Outline Quote, Motivate by quoting from a given scenario , Explain, Discuss, Distinguish, differentiate, Recommend ways in which .../Advise businesses on how... 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	70	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	

1. BUSINESS STUDIES: PAPER 1

1.1 CLASSIFICATION OF SUBTOPICS ACCORDING TO MAIN TOPICS

1. BUSINESS ENVIRONMENTS	TERM	2. BUSINESS OPERATIONS	TERM
1.1. Macro environment: Impact of recent legislation on business	1	2.1 Human resources function	1
1.2 Macro environment: Business strategies	1	2.2 Quality of performance	2
1.3 Business sectors and their environments	2		

1. BUSINESS STUDIES PAPER 2

1.1 CLASSIFICATION OF SUBTOPICS ACCORDING TO MAIN TOPICS

1. BUSINESS VENTURES	TERM	2. BUSINESS ROLES	TERM
1.1 Management and leadership	2	2.1 Ethics and professionalism	1
1.2 Investment: Securities/Opportunities	2	2.2 Creative thinking and Problem-solving	1
1.3 Investment: Insurance	2	2.3 Social Responsibility and Corporate Citizenship Corporate Social Responsibility (CSR) Corporate Social Investment (CSI)	3
1.4 Forms of ownership with the focus on how they can contribute to the success/failure of a business.	3	2.4 Human rights, inclusivity and environmental issues	3
1.5 Presentation and data response	3	2.5 Team performance assessment Conflict management	2

2026 CALENDAR FOR PUBLIC SCHOOLS

January 2026						
S	M	T	W	T	F	S
				01	02	03
04	05	06	07	08	09	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
February 2026						
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March 2026						
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29	30	31				
April 2026						
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28	29	30				
May 2026						
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17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						
June 2026						
S	M	T	W	T	F	S
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				
July 2026						
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28	29	30	31			
August 2026						
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30	31					
September 2026						
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October 2026						
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26	27	28	29	30	31	
November 2026						
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29	30					
December 2026						
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			05	06	07	08
09	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Public and School Holidays 2026	
01 January	New Year's Day
21 March	Human Rights Day
03 April	Good Friday
06 April	Family Day
27 April	Freedom Day
01 May	Workers' Day
15 June	Special School Holiday
16 June	Youth Day
09 August	National Women's Day
10 August	Public Holiday
24 September	Heritage Day
16 December	Day of Reconciliation
25 December	Christmas Day
26 December	Day of Goodwill

Weekends

School days

Special school holidays

Days for administration

Public holidays

School holidays

SUMMARY OF 2026 CALENDAR FOR PUBLIC SCHOOLS

Term	Duration	No. of weeks	No. of days	No. of public holidays	Actual no. of school days
1	(12) 14 January – 27 March	11	53 (55)	0	53 (55)
2	08 April – 26 June	12	58	3+1	54
3	21 July – 23 September	10	47	1	46
4	06 October – 09 (11) December	10	47 (49)	0	47(49)
Total		43	205 (209)	4+1	200 (204)

BUSINESS STUDIES GRADE 12 SUMMARY OF ANNUAL TEACHING PLAN (ATP) 2026 PASTE ON LEARNERS' BOOKS

TERM 1											
53 School days	WEEK 1 14-20 Jan 5 days	WEEK 2 21-28 Jan 5 days	WEEK 3 29 Jan- 04 Feb 5 days	WEEK 4 05-11Feb 5 days	WEEK 5 12-18 Feb 5 days	WEEK 6 19-25 Feb 5 days	WEEK 7 26 Feb 04 Mar 5 days	WEEK 8 05-11 Mar 5 days	WEEK 9 12-19 Mar 6 days	WEEK 10 20-27 Mar 6 days	
TOPICS	Impact of recent legislation on businesses				Human Resource Function		Professionalis m and Ethics	Creative thinking and Problem – Solving	Business Strategies	SBA and Controlled Test	
TERM 2											
51 school days	WEEK 1 08-10 Apr 3 days	WEEK 2 13-17 Apr 5 days	WEEK 3 20-24 Apr 4 days	WEEK 4 28 April 05 May 5 days	WEEK 5 06- 08 May 5 days	WEEK 6 11-15May 5 days	WEEK 7 20-22 May 2 days	WEEK 8 25-29 May 5 days	WEEK 9 01-05 June 5 days	WEEK 10 &11 08-26 June 8 days	
TOPICS	Business sectors and their environments	Quality of performance		Management and leadership		Investment: Securities		Investment: Insurance	Team performance and Conflict management	Revision	Revision
TERM 3											
47 school days	WEEK 1 21-23Jul 3 days	WEEK 2 23-24July 2 days	WEEK 3 27-28 July 3 days	WEEK 4 28-29 2 days	WEEK 5 30-31July 5 days	WEEK 6 03-07July 5 days	WEEK 7 11-31 Aug 16 days	WEEK 8	WEEK 9	WEEK 10	WEEK 11
TOPICS	Human Rights, Inclusivity and Environmental issues		Social responsibility Corporate social responsibility and Corporate social investment		Presentation and data response	Forms of Ownership	Research Project Revision Preparatory Examination				

BUSINESS STUDIES
GRADE 12
PAPER 1
TERM 1
REVISED NOTES
CHAPTER 1
THE IMPACT OF RECENT LEGISLATION ON BUSINESSES
2026

TABLE OF CONTENTS

TOPICS	PAGES
Terms and Definitions/Meaning	7
Exam guidelines for legislation	8
The Skills Development Act (SDA) (No. 97 of 1998)	8-13
The Labour Relations Act (LRA) (No. 66 of 1995)	14-18
The Employment Equity Act (EEA) (No. 55 of 1998)	19-22
The Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)	23-28
The Compensation for Occupational Injuries and Diseases Amendment Act (COIDA) (No. 61 of 1997)	29-32
The Broad-Based Black Economic Empowerment Act (BBBEE) (No. 53 of 2003, as amended in 2013)	33-38
The National Credit Act (NCA) (No. 34 of 2005)	38-40
The Consumer Protection Act (CPA) (No. 68 of 2008)	41-45

This chapter consists of 45 pages

1 The Skills Development Act, 1998 (Act 97 of 1998)

INTRODUCTION

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING REFER TO PAGE 7 EG

TERM/CONCEPT	DEFINITION/MEANING
Penalties	punishment for doing something that is against the law.
SETAs	vocational skills training organisation in South Africa that identify/ outlines/manages and creates learnerships, internships, and apprenticeships within its jurisdiction.
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.
Learnerships	theoretical/practical training opportunities that lead to a recognised occupational qualification.
Levies	imposition/collection of money by the government, usually in the form of tax.
Actions regarded as non-compliance	refers to actions that are unjust, unfair, illegal and show prejudice towards employees in the context of violating the Act.
Compliance order	a document issued by a court of law to a business that forces the business to comply with a specific aspect of a legislation/ruling
Revoked	the business license can be officially cancelled or repealed by the Labour Court
Penalties for non-compliance	refer to the legal charges businesses may face for not complying with the particular Act/legislation.
Compliance	refers to ways/ methods in which businesses can comply/act in accordance with the SDA.
SETAs	vocational skills training organisation in South Africa that identify/ outlines/manages and creates learnerships, internships, and apprenticeships within its jurisdiction.

**REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES
CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**

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

1.1 The purpose of the Skills Development Act (SDA)

- Develops the skills of people in South Africa, in order to improve productivity in the workplace.
- Invests in education and training of the South African workforce.
- Improves the chances of getting a job for previously disadvantaged people.
- Encourages workers to participate in learning programmes.
- Redresses imbalances of the past through education and training
- Encourages businesses to improve the skills of new and existing workers
- Improves the job prospects of previously disadvantaged people.
- Provides the systematic implementation of strategies on a national, sector and workplace basis.

1.2 Impact of Skills Development Act/SDA on businesses

Positives/Advantages

- Increases the number of skilled employees in areas where these skills are scarce.
- Trains employees improve productivity in the workplace.
- Businesses could become globally more competitive.
- On-going skills development/learning/acquisition of new skills are encouraged v to sustain the improvement of skills development.
- Increases investment in education and training in the labour market.
- Increases the return on investment in education and training.
- Improves employment opportunities and labour movement.
- Self-employment and entrepreneurship are promoted.
- Workplace discrimination can be addressed through training.
- Workplace is used as an active learning environment where employees can gain practical job experience.
- Businesses may claim back some of the costs of training as a refund from relevant SETAs.
- Improves quality of products/service delivery as the business employs more skilled workers



AND/OR

Negatives/Disadvantages

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

1.3 Actions regarded as non compliance by the Skills Development Act/SDA

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

1.4 Penalties for non-compliance

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

1.5 Ways in which businesses can comply with the Skills Development Act/SDA

- Businesses/Employers who collect PAYE should register with the relevant SETAs.
- One per cent (1%) of an employer's payroll must be paid over to the SETA through SARS.
- Businesses should register with SARS in the area in which their business is classified (in terms of the SETA).
- Employers should submit a workplace skills plan and provide evidence that it was implemented.
- Businesses with more than 50 employees must appoint a skills development facilitator.
- Assess the skills of employees to determine areas in which skills development is needed.
- Encourage employees to participate in learnerships and other training programmes.
- Provide all employees with the opportunity to improve their skills.
- Display a summary of the SDA in the business where it is visible to all employees.

1.6 Role of SETAs in supporting the Skills Development Act/SDA

- Report to the Director General.
- Promote and establish learnerships.
- Collect levies and pay out grants as required.
- Provide accreditation for skills development facilitators.
- Register learnership agreements/learning programmes.
- Approve workplace skills plans and annual training reports.
- Monitor/Evaluate the actual training by service providers.
- Allocate grants to employers/education/training providers.
- Identify suitable workplaces for practical work experience.
- Oversee training in different sectors of the South African economy.
- Develop sector skills plans in line with the National Skills Development Strategy.
- Draw up skills development plans for their specific economic sectors.
- Provide training material/programmes for skills development facilitators.
- Pay out grants to businesses that are complying with the requirements of the Skills Development Act.

1.7 Funding of Sector Education and Training Authorities (SETAs)

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

1.8 The meaning of learnerships

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

1.9 Explanation of the National Skills Development Strategy (NSDS)

- Increase access to programmes that train people.
- Promote the public FET college system that has programmes to meet the skills needed by SETAs/ local/regional/provincial/national organisations.
- Address the low level of language and mathematical skills among the youth and adults.
- Makes better use of/enhances/improves workplace-based skills development.
- Encourage/support small business/community-training groups/NGOs/worker-initiated training initiatives.
- Increase/improve the skills of the public sector to improve service delivery.
- Build career/vocational guidance/training centres.
- Guides work of SETAs /the use of the National Skills Fund.
- Sets out/outlines the responsibilities of other education and training stakeholders.
- Provides for the participation of government/organised business/organised labour.
- Improves social development through economic development.

1.0 Explanation of the Human Resource Development Strategy (HRDS)

- Addresses skills shortages in the South African workplace.
- Aims to achieve faster economic growth/higher employment levels and reduced levels of poverty in South Africa.
- Promotes social development/social justice and helps to alleviate poverty.
- Develops short-term and long-term workforce skills.
- Improves the supply of skills.
- Increases employee participation in lifelong learning.

2. The Labour Relations Act (LRA), 1995 (Act 66 of 1995)

Introduction

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING

Term/Concept	Definition/Meaning
Collective bargaining	the process of engaging and solving labour disputes collectively between trade union representatives and employer organisations
CCMA	an independent dispute resolution body that promotes cooperation and industrial peace
Labour Court	adjudicates on matters relating to labour disputes that cannot be resolved by the CCMA
Labour Appeal Court	can reverse/amend any judgments/ orders made by the Labour Court
Labour Relations Act/LRA	this Act was introduced to promote simple procedures for the resolution of labour disputes in the workplace.
Penalties	punishment for doing something that is against the law.
Lockout	occurs when an employer prevents (literally locks out) employees from entering the business premises during strike action and labour dispute
Bargaining councils	negotiations between trade union representatives and employer organisations on labour-related issues such as demand for higher wages or improved
Compliance order	a document issued by a court of law to a business that forces the business to comply with a specific aspect of a legislation/ruling
Revoked	the business license can be officially cancelled or repealed by the Labour Court
Penalties for non-compliance	refer to the legal charges businesses may face for not complying with the particular Act/legislation.
Compliance	refers to ways/ methods in which businesses can comply/act in accordance with the LRA.

**REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES
CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**

- Outline /Describe/ Explain/Discuss the purpose of the Labour Relations Act (LRA), 1995 (Act 66 of 1995).
- Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/disadvantages) of the LRA on businesses.
- Outline/Explain/Discuss actions regarded as non-compliance by the Labour Relations Act (LRA), 1995 (Act 66 of 1995).
Outline/Explain/Discuss penalties/consequences of non-compliance with the Labour Relations Act (LRA), 1995 (Act 66 of 1995).
- Suggest/Recommend ways in which businesses can comply with the LRA.
- Outline/Explain/Describe/Discuss the rights of employers and employees in terms of the LRA.

2.1 The purpose of the Labour Relations Act (LRA)

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

2.2 The impact of the LRA on businesses

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

2.3 Actions regarded as non-compliance by the LRA

- Dismissing employees unfairly or illegally.
- Preventing employees from forming and joining trade unions.
- Preventing employees from participating in legal strikes.
- Forcing employees to give up their trade union membership and representation.
- Refusing the establishment of workplace forums.
- Refusing to give workplace forum members paid time off for attending meetings during working hours
- Not adhering to the right of employees to strike when legalised.
- Dismissing employees who participate in legal strikes.
- Cancellation of employees' contracts by a new employer when a business is sold.
- Refusing leave trade union representatives to attend trade union activities.
- Breaching of collective agreements/resolution mechanisms by either employer/employee.
- Forcing employees to give up their trade union membership and representation.

2.4 Penalties for non-compliance with the LRA

- The employer may be forced to enter into a dispute resolution process.
- Businesses that neglect to comply with the LRA may receive large fines if they fail to meet the agreements reached during the dispute resolution process.
- Businesses that fail to comply with this Act may incur financial costs such as legal fees /CCMA fees and fines.
- Businesses that do not comply with the LRA may receive a compliance order from the Labour Court that forces the business to comply.
- The business's license may be revoked, which may prevent the business from continuing any form of operations.
- The Labour inspector could order businesses to stop operating should the business be found guilty of illegal practices.
- The Labour inspectors may investigate and ask questions about complaints.

2.5 Ways in which businesses can comply with the LRA

- Fairness should be promoted, and employees should not be unfairly/illegally dismissed.
- Support the establishment/formation of trade unions/workplace forums to enhance labour peace in the workplace.
- Any agreements made during collective bargaining should not be ignored/ breached by employers.
- Businesses must allow employees to form trade unions/participate in union activities/legal strikes.
- Disclose all relevant information required by trade union representatives to do their jobs effectively.
- Display a summary of the LRA in the workplace where it is visible to all employees.

2.6 Rights of employers and employees in terms of the LRA

Rights of employers in terms of the LRA

Employers have the right to:

- form employer organisations to represent them in labour related matters.
- form a bargaining council for collective bargaining purposes.
- lockout employees who engage in labour action/ an unprotected/illegal strike.
- dismiss employees who are engaged in an unprotected strike/misconduct such as intimidation/violence during strike action.
- not pay/remunerate an employee who has participated in a protected strike for services/work they did not do during the strike.

Rights of employees in terms of the LRA

Employees have the right to:

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

3. The Employment Equity Act (EEA), 1998 (Act 55 of 1998)

Introduction

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING

TERM/CONCEPT	DEFINITION/MEANING
Affirmative action	the policy and process of providing preferences in employment opportunities for previously disadvantaged people. Affirmative action is therefore, a policy embedded in the EEA.
Employment equity plan	a document that outlines how the business intends to achieve employment equity over five years
Equity	fair and equal treatment in the workplace/society.

REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

- Outline /Describe/ Explain/Discuss the purpose of the Employment Equity Act (EEA), 1998 (Act 55 of 1998).
- Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/ disadvantages) of the Acts on businesses.
- Outline/Explain/Discuss actions regarded as non- compliance with the Employment Equity Act (EEA), 1998 (Act 55 of 1998)
- Outline/Explain/Discuss penalties/consequences of non-compliance with the Employment Equity Act (EEA), 1998 (Act 55 of 1998)
- Suggest/Recommend ways in which businesses can comply with the EEA.

The purpose of the Employment Equity Act/EEA

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

The Impact of the Employment Equity Act/EEA on businesses

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

Action regarded as non-compliance by the EEA

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

Penalties for non-compliance with the EEA

- Businesses may face heavy fines for non-compliance.
- They can be ordered to pay compensation and damages to the employee.
- Labour inspectors may investigate/inspect/ask questions about complaints
- Labour inspectors may conduct onsite visits, to interview employees which can create a bad image for the business.
- A compliance order may be issued to businesses that do not comply with the EEA.
- Businesses may be brought before the Labour Court if compliance orders are not adhered to or/no efforts are made to reach targets.
- The Department of Labour may block non-compliant companies from doing business with the government./, especially in the context of government tenders.
- Businesses that do still not comply after the compliance order has been issued may then be charged/prosecuted by the Labour Court for non-compliance
- Labour inspectors can visit the business and conduct interviews with employees to determine whether the information supplied on the employment equity plans is true or has been falsified.

Ways in which businesses can comply with the Employment Equity Act/EEA

- Businesses should guard against discriminatory appointments.
- Employees are paid equally for work of equal value.
- Implement an employment equity plan as required the Act.
- Implement affirmative action measures to redress disadvantages experienced by designated groups /Accommodate people from different designated groups.
- Ensure that there is equal representation of all racial groups at every level of employment.
- Compile employment equity plans that indicate how they implement affirmative action.
- Prepare an employment equity plan in consultation with employees.
- Ensure that diversity/inclusivity in the workplace is achieved.
- Ensure that affirmative action measures promote diversity in the workplace.
- Ensure that the workplace represents the demographics of the country at all levels.
- Submit the employment equity plan to the Department of Labour.
- Assess the racial composition of all employees, including senior management.

- Clearly define the appointment process, so that all parties are well informed.
- Conduct medical/psychological tests fairly to employees/when deemed necessary./Use certified psychometric tests to assess applicants/employees to ensure that suitable candidates are appointed.
- Assign one or more senior managers to ensure the implementation and monitoring of the employment equity plan.
- Eliminate barriers that have an adverse impact on designated groups.
- Retain/Develop/Train designated groups, including skills development.
- Regularly report to the Department of Labour on progress in implementing the plan.
- Display a summary of the Act where employees can clearly see/have access to the document.
- Restructure/Analyse current employment policies/practices/procedures to accommodate designated groups.

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

Introduction

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING

TERM/CONCEPT	DEFINITION/MEANING
An employment contract	a legally binding agreement between the employer and the employee.
Ombudsman:	a state official responsible for investigating complaints of private citizens/members of the public that are made against businesses/organisations/government.

REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

- Outline /Describe/ Explain/Discuss the purpose of the Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)
- Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/ disadvantages) of the BCEA on businesses.
- Outline/Explain/Discuss actions regarded as non-compliance by the Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)
- Outline/Explain/Discuss penalties/consequences of non-compliance with Basic Conditions of Employment Act (BCEA) (No. 75 of 1997)
- Suggest/Recommend ways in which businesses can comply with the BCEA.
- Outline/Explain/Describe/Discuss the provisions of the BCEA.

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

4.1 The purpose of the BCEA

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

4.2 The provisions of the BCEA

Hours of work/Work hours

- Employees are not allowed to work for more than 45 hours per week.
- Employees may work 9 hours a day if they work five days or less per week.
- Employees may work 8 hours a day if they work more than five days a week.
- Night work performed by employees after 18:00 and before 6:00 the following day should be done by agreement, and employees must be compensated by allowance/reduction of work hours.
- Ordinary work hours may be extended by agreement by a maximum of 15 minutes per day/maximum of sixty minutes per week to complete duties when serving the public.
- Ordinary work hours may be reduced to a maximum of 40 hours per week/8 hours per day.

Overtime

- Employees cannot be forced to work overtime but must agree to work overtime.
- Employees cannot work more than 3 hours overtime per day or 10 hours per week.

Overtime must be compensated as follows:

- 1½ times /One and half times the normal rate of overtime pay worked on weekdays and Saturdays.
- 2 times/Twice/Double the normal rate of overtime pay worked on Sundays and public holidays.
- Overtime must be paid either at a specified rate for overtime, or an employee may agree to receive paid time off.
- Minister of Labour may prescribe the maximum permitted working hours, including overtime, for health and safety reasons for a certain category of work.

Meal breaks and rest periods

- Employees must have a meal break of 60 minutes after five continuous hours of work.
- The meal breaks can be reduced to 30 minutes/half an hour by a mutual written agreement when employees work less than 6 hours per day.
- Employees must have a daily rest period of 12 continuous hours/a weekly rest period of 36 continuous hours, which must include Sundays.

Termination of employment

- A contract of employment may only be terminated following 1 weeks' notice if the employee has been employed for six months or less.
- A minimum of 4 weeks' notice must be given if the worker has been employed for a year or longer.

- The employee must be given formal notice in writing if the employer has terminated the contract, similarly, the employee must give the employer formal notice in writing for terminating the contract.
- An employee who is retrenched/ dismissed for restructuring reasons is entitled to one week's severance pay for every year of service.

Public holidays

- Employees must be paid for any public holiday that falls on a working day.
- Employees may work on public holidays when there is a mutual agreement, and they are paid 2 times/twice/double their normal rate.

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 employment is not harmful to their health/well-being/education/moral and social development/ minors under 18 years of age may not do dangerous work/work meant for an adult.

Types Leave Annual leave

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

Sick leave

Employees are entitled to:

- 30 days//6 weeks paid sick leave in a 3 year/ 36-month cycle.
- 1 day paid sick leave for 26 days worked during the 6 months of employment.
- A medical certificate may be required before paying an employee who is absent for more than 2 consecutive days/who is frequently absent. Thereafter, they may take all 30 days of sick leave, provided they meet the legal requirements.

Maternity/Adoptive leave

- Pregnant employees are entitled to 4 consecutive months of maternity leave.
- Pregnant employees are prevented from performing work that may be hazardous to themselves and the unborn child.
- The starting date is usually any time from four weeks before the expected date of birth or on the advice of a doctor/midwife.

Parental leave

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

Family responsibility leave

- An employee may receive 3 to 5 days paid leave per year on request, in the event of the death of the employee's spouse/life partner/parent/adoptive parent/ grandparent/child/adoptive child/grandchild/sibling.
- An employer may require reasonable proof before approving this type of leave
- such as a death certificate of the family member whose funeral will be attended.

Provisions as asked in 2024 NSC Examination Question 4.1

Provisions of the Basic Conditions of Employment Act/BCEA

- Regulation of working time/Ordinary hours of work/overtime/meal intervals and rest periods/Sunday work/public holidays.
- Leave/annual/sick/family responsibility/maternity/paternity/parental.
- Particulars of employment and remuneration.
- Termination of employment.
- Prohibition of employment of children and forced labour.

4.3 The impact of the BCEA on businesses

Positives/advantages

- Creates/establishes an enabling framework of acceptable employment practices, for example, work hours, leave, and legalities of employment contracts.
- Specifies work hours to prevent exploitation of employees.
- Encourages consultation between employers and employees.
- Outlines minimum requirements that form the basis of employment contracts.
- Work hours are specified so that the employer cannot exploit employees.
- Outlines the rules and regulations, and provides clear and specific guidelines for employers to deal with employment issues
- Outlines the minimum/basic requirements for employment contracts.
- Employees are permitted to consult labour unions in cases where the BCEA conditions are violated.
- Employees may submit complaints to labour inspectors who can address them.

AND/OR

Negative/disadvantages

- The implementation of the BCEA is time-consuming, expensive, prescriptive and administratively burdensome, especially the drafting of formal/legal contracts.
- Businesses may regard employment contracts as negative and may not implement them, which results in non-compliance/penalties.
- Employers and managers may not force employees to work more than 45 hours per week, which may result in a reduction in productivity.
- Employers cannot hire cheap labour and therefore cannot exploit employees.
- BCEA forces businesses to comply with any legal requirements, which may increase labour costs.
- Businesses not complying with the Act, may be charged with high penalties, which may affect their cash flow negatively.
- Businesses may consider the provisions of the BCEA as unimportant and an unnecessary administrative burden that increases operating costs.
- The training costs of businesses may increase because employees have to be trained with regard to the implication of the BCEA, and businesses often have to employ legal specialists.
- Employers cannot hire cheap labour and therefore cannot exploit employees.
- Businesses are forced to comply with the various legal requirements of the BCEA, which directly increases the labour costs of businesses.

4.4 Actions regarded as non-compliance/discriminatory by the BCEA

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

4.5 Penalties/consequences for non-compliance with the BCEA

- Businesses that do not comply with the BCEA may receive a compliance order from the Labour Court, that forces the business to comply with the BCEA.
- Labour inspectors may serve a compliance order by writing to the Department of Labour.
- Labour inspectors may investigate/inspect/ask questions about complaints and remove records as evidence.
- Labour inspectors may conduct investigations and inquiries about complaints in the context of the BCEA and remove records as evidence.
- Businesses may be taken to the labour court for a ruling.
- Businesses that neglect to comply with the BCEA may receive large fines and may even be given a jail sentence, which will be dependent on the severity of the non-compliance.
- They can be ordered to pay compensation and damages to the employee.
- The Director General may agree/amend or cancel the compliance order.

4.6 Ways in which businesses can comply with the BCEA

- Workers should only work 9 hours per day in a 5 day work week/8 hours per day in a 6 day work week.
- Ensure that employees do not exceed the stipulated working hours of 45 hours per week
- Allow sick employees to take off the required amount of sick leave i.e., six weeks in a 3 year cycle
- Workers must receive double if they work during public holidays/Sunday
- They must have a break of 60 minutes after five hours of work
- Refrain from employing children under the age of 16, as this is illegal.
- Provide paid maternity leave for pregnant employees.
- Ensure that the employment contracts do not contravene any aspect of the requirements of the BCEA.
- Remunerate/pay employees for working overtime, as stipulated in the provisions of the BCEA.

5 THE COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (COIDA) (NO. 61 OF 1997)

INTRODUCTION

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING

TERM/CONCEPT	DEFINITION/MEANING
Compensation Board	a statutory body of the Compensation Fund which advises the Minister of Labour on issues such as policy matters, annual benefit increases, appointing assessors and amendments to COIDA.
Compensation Fund	this fund provides compensation to employees who are injured or contract diseases through the course of their employment.
Workplace injuries	injuries that take place while conducting/performing workplace duties/responsibilities.
Compensation for Occupational Injuries and	the Act gives employees who are injured or contract diseases while on duty the right to claim compensation.

REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

- Outline /Describe/ Explain/Discuss the purpose of the Compensation for Occupational Injuries and Diseases Act (COIDA) (No. 61 of 1997)
- Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/ disadvantages) of the COIDA on businesses.
- Outline/Explain/Discuss actions regarded as non-compliance by the Compensation for Occupational Injuries and Diseases Act (COIDA) (No. 61 of 1997)
- Outline/Explain/Discuss penalties for non-compliance with Compensation for Occupational Injuries and Diseases Act (COIDA) (No. 61 of 1997)
- Suggest/Recommend ways in which businesses can comply with the COIDA.

5.1 The purpose of COIDA

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

5.2 The impact of the COIDA on businesses

Positives/Advantages

- Promotes health and safety in the workplace.
- Domestic workers can now claim compensation for work related injuries/illnesses.
- Creates a framework for acceptable employment practices and safety regulations.
- Employees do not contribute towards this fund.
- Supplies administrative guidelines/mechanisms for dealing with and processing claims.
- Claiming processes are relatively simple.
- Eliminates time and costs spent on lengthy civil court proceedings.
- Any compensation to an employee/family is exempt from income tax.
- Employers are protected from financial burden should an accident occur in the workplace provided that the employer was not negligent.
- Makes businesses more socially responsible as they cannot just employ workers at random in dangerous working conditions.
- Workers are treated with dignity and respect as businesses view them as valuable assets and not just as workers.
- Covers all employees at the workplace if both parties meet all the necessary safety provisions in the Act.
- Employees are compensated financially for any injury/disability resulting from performing their

duties at their workplace.

- In the event of the death of an employee as a result of a work-related accident/ disease, his/her dependent(s) will receive financial support.
- Employees receive medical assistance provided there is no other medical assistance option. /Cannot claim medical assistance from the fund and medical aid.
- Medical expenses/Other types of compensation are paid to employees and/or their families depending on the type/severity of the injuries.
- Employers have to pay a monthly amount to the Compensation Fund depending on the number of employees/the level of risk they are exposed to.
- Employers have to pay a monthly amount to the Compensation Fund v depending on the number of employees/the level of risk they are exposed to.

AND/OR

Negative/Disadvantages

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

5.3 Actions regarded as non-compliance by COIDA

- Refusing to lodge the claims of domestic workers.
- Bribing employees not to report the accident/injury based on the grounds of race/religion/culture/language/gender/sexual orientation.
- Falsifying information about previous, serious accidents/occupational diseases on the grounds of race/religion/culture/language/gender/sexual orientation.
- Deliberately contributing the incorrect amounts to the Compensation Fund, which prevents employees from receiving compensation.
- Employers who do not allow claims for injuries discriminate against injured employees.
- Discriminating against injured employees when claims have to be submitted/ employers who refuse to submit claims of injured employees to the Compensation Board.
- Employers that take too long to process claims/delay the claiming process.
- Failing to disclose all information to the Compensation Board when accidents or injuries occur for specific employees.
- Compensation that is set off against any debt of the person entitled to the compensation.

5.4 Penalties/consequences for non-compliance with COIDA

- Businesses that do not comply with COIDA may receive a compliance order.

- from the Labour Court, which forces the business to comply with COIDA.
- Businesses that neglect to comply with COIDA may receive large fines for refusing to lodge claims and may even be given a jail sentence/imprisonment, which will be dependent on the severity of the non-compliance.
- Businesses can be forced to make large payments if they do not implement the necessary precautions to reduce accidents/fatalities or promote health and safety in the workplace.
- Employees may take businesses to court for not registering them with the Commissioner of the Compensation Fund.
- If businesses are found guilty of any misconduct, they will have to pay large penalties/face imprisonment.
- Businesses can be forced to make large payments if they do not implement the necessary precautions to reduce accidents/fatalities and promote health and safety in the workplace.

5.5 Ways in which businesses can comply with the COIDA

- Display a summary of COIDA in the workplace where it is visible to all employees.
- Organise training on COIDA with all relevant stakeholders so that employees, know their rights in the context of COIDA, but also to protect and promote health and safety in the workplace.
- Provide and enhance the capacity to promote health and a safe working environment.
- Report all accidents, injuries, illnesses, and fatalities to the Compensation Commissioner as they occur.
- Ensure that the premises/equipment/machinery is in good working condition.
- Register with the Compensation Commissioner and provide the particulars of the business.
- Report all incidents causing death/injury/illness of employees.
- Levies must be paid to the Compensation Fund.
- Keep records of employees' income and details of work for four years.
- Submit returns of earnings by no later than 1 March annually.
- Allow regular assessment of the workplace by inspectors in order to determine the level of risk their employees are exposed to.
- Employers may not make deductions for COIDA from employees' remuneration packages.
- Businesses must ensure that claims are lodged within twelve months of the date of the accident.

6 The Broad-Based Black Economic Employment Act (BBBEE) (No. 53 OF 2003, as amended in 2013)

INTRODUCTION

BBBEE was promulgated/established, to bring the majority of South Africans into the mainstream of the economy, to significantly accelerate economic growth, provide opportunities for previously disadvantaged people, and to spread wealth more broadly across all population groups.

The implementation of BBBEE has increased the number of **black** people that manage/own/control the South African economy. A BBBEE scorecard is used to determine the BBBEE statuses of businesses. BBBEE aims to integrate all citizens of South Africa meaningfully into the economy.

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING

TERM/CONCEPT	DEFINITION/MEANING
Broad-Based Black Economic Empowerment Act/BBBEE	Act was introduced in order to ensure the full economic participation of previously disadvantaged individuals.
BBBEE Scorecard	BBBEE scorecards measure a business's compliance with BBBEE, and a certificate is issued to the business that stipulates their BBBEE rating.
Fronting	businesses that pretend to be BBBEE compliant by falsifying information related to BBBEE or lying about the management positions of black employees and pretending to appoint black employees in certain positions
Nepotism	providing family with positions, promotions or opportunities but are not qualified for the positions
Cronyism	providing friends with positions, promotions or opportunities but are not qualified for the positions
Black	in the context of BBBEE is a generic term for all Africans, coloured and Indians who are citizens of South Africa by birth or descent, or who became naturalised citizens of South Africa before April 1994

REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Outline /Describe/ Explain/Discuss the purpose of the Broad-Based Black Economic Employment Act (BBBEE) (No. 53 OF 2003, as amended in 2013) Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/ disadvantages) of the COIDA on businesses.

Outline/Explain/Discuss actions regarded as non- compliance by the Broad-Based Black Economic Employment Act (BBBEE) (No. 53 OF 2003, as amended in 2013) Outline/Explain/Discuss penalties for non-compliance with the Broad-Based Black Economic Employment Act (BBBEE) (No. 53 OF 2003, as amended in 2013) Suggest/Recommend ways in which businesses can comply with the BBBEE.

6.1 The purpose of BBBEE

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

6.2 Differences between BEE and BBBEE

Black Economic Empowerment (BEE)	Broad-Based Black Economic Empowerment Act (BBBEE)
• A government policy that may not always be enforced.	• An Act that is enforced/must be complied with by businesses.
• Benefitted only a few previously disadvantaged people in the economy.	• Encourages a wider group of previously disadvantaged people which includes black women, people who are physically challenged, youth, and people in rural areas to participate in the economy.
• This resulted in a few previously disadvantaged individuals sharing in the wealth of the economy.	• Aims to distribute the country's wealth across a broader spectrum of society.
• Focused only on three pillars that did not include all previously disadvantaged people.	• Focuses on five pillars which include all sectors of the society especially the previously disadvantaged people and previously disadvantaged communities.

- NOTE:**
1. **Learners must first know the application and implications of the revised BBBEE pillars so that they can understand the impact of BBBEE on businesses.**
 2. **Ways in which businesses could apply the revised FIVE pillars of BBBEE in the workplace refers to what the business can do to apply EACH pillar.**
 3. **Implications refer to what the business can do to apply EACH pillar and the barriers/ limitations that prevent businesses from implementing EACH BBBEE pillar**
 4. **The last sentences of EACH pillar speak to things that prevent businesses from implementing the pillar.**

6.3 The BBBEE PILLARS

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

Implications of the Broad-Based Black Economic Empowerment Act/BBBEE pillars

Management control

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

Ownership

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

Enterprise and supplier development/ESD

- Businesses must create jobs as ESD promotes local manufacturing.
- Identify black owned suppliers that are able to supply goods and services.
- Outsource services to suppliers that are BBBEE compliant.
- Invest/Support black owned SMMEs by contributing loans/donations/consulting services/advice/entrepreneurial programmes.
- Develop the business skills of small/black owned suppliers, such as sales techniques/legal advice.
- Support the cash flow of small suppliers by offering them preferential terms of payment.
- Businesses should invest in/support black owned SMMEs to make them more sustainable.
- Develop and implement a supplier development plan/supply chain.
- Small/Large businesses may not be able to afford enterprise development investment/support.
- Black owned SMMEs may become too reliant on support from other businesses/unable to take their own initiatives.
- BBBEE suppliers may be without good workmanship.
- Smaller businesses that are not BBBEE compliant lose business.

- Businesses are forced to choose from a smaller pool of suppliers.

Skills development

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

Socio-economic development/Social responsibility

- Businesses should focus on critical areas which can affect growth and development in the country such as environmental awareness/education/housing/poverty/unemployment.
- They should distribute scarce CSI resources to selected beneficiaries in the community.
- Businesses may not be knowledgeable about societal issues resulting in wasting financial resources on meaningless community projects.
- Contribute towards social investment/community projects.

6.4 The impact of the BBBEE on businesses

Positives/Advantages

- Encourages businesses to address the demands for redress/equity directly in the workplace.
- Businesses that comply with BBBEE regarding the pillars will be rated high on BEE score card/may get government tenders/may attract other BBBEE business partners/ suppliers.
- Provides a variety of business codes to improve employment equity.
- Provides human resources development through training and development.
- Provides opportunities for/empowers previously disadvantaged employees through uplifting socio-economic processes.
- A good BBBEE rating will improve the image of the business.
- Fronting is discouraged, as it may lead to the disqualification of a business's entire scorecard/BBBEE status.
- Promotes enterprise development, by developing entrepreneurial skills of designated people to start their own businesses.
- Businesses will have a good overview of how it is performing in comparison to other businesses in the rest of the country.
- By focusing on BBBEE, the business will show commitment towards the social/education/economic developments in the community/country.
- Share prices of BBBEE compliant businesses are likely to increase as they attract more business.
- Previously disadvantaged workers will be skilled because businesses are compelled to send them for skills training.

- Businesses that support Small, Micro, and Medium Enterprises (SMMEs), may increase their own BBBEE ratings.
- Businesses that are rated understand how to develop BBBEE strategies that will increase their BBBEE ratings on an annual basis.
- Complying with BBBEE requirements gives businesses experience/exposure to be able to provide better employment opportunities/staff development.

AND/OR

Negative/Disadvantages

- The implementation of BBBEE is time-consuming, expensive, prescriptive and administratively burdensome, especially attaining BBBEE Scorecard ratings and training of employees
- Costs increase as businesses have to spend money on the correct compliance with the five BBBEE pillars to obtain a good BBBEE rating.
- Businesses have to endure rigid processes of having their BBBEE compliance measured/verified by an independent BBBEE verification agency.
- Businesses could experience large financial implications/penalties if they do not comply with BBBEE.
- Some processes associated with BBBEE if not monitored properly may lead to corruption/nepotism/cronyism.
- Processes and procedures may be costly for a business as there are many legal requirements for scoring enough points to be compliant.
- BBBEE advocates Enterprise and Supplier Development (ESD), which means certain businesses that are not approved by BBBEE vendors may be excluded from supplying goods and services.
- Investment/Ownership issues can cause unhappiness amongst existing shareholders/owners.
- Provides for preferential procurement, so certain businesses may be excluded from supplying goods/services.
- Businesses that wish to acquire government tenders and conduct business with the state, must have their BBBEE status assessed annually. This increases the administrative burden of businesses.
- Many businesses have been disadvantaged due to BBBEE ratings as they may not be able to meet all the scores.

Introduction

The NCA is concerned with consumer credit and the credit industry.

The NCA was promulgated/established to curb high levels of consumer debt, and to promote responsibility in making informed decisions before buying on credit.

The NCA, therefore, prevents the reckless granting of credit to consumers to ensure that consumers do not become over-indebted.

The NCA has resulted in the establishment of the National Credit Regulator (NCR).

REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Outline /Describe/ Explain/Discuss the purpose of the National Credit Act (NCA) (No. 34 of 2005)

Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/disadvantages) of the NCA on businesses.

Outline/Explain/Discuss actions regarded as non-compliance by the National Credit Act (NCA) (No. 34 of 2005)

Outline/Explain/Discuss penalties for non-compliance with the National Credit Act (NCA) (No. 34 of 2005)

Suggest/Recommend ways in which businesses can comply with the NCA.

Explain/Outline/Discuss the rights of consumers in terms of the NCA.

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

7.1 The purpose of the NCA

- Promotes the social and financial interests of South African consumers and by extension in the South African economy.
- Ensures that consumers of credit are well informed about the details included in their credit contracts.
- Protects both lenders and borrowers from negligent lending practices that may result in over-indebtedness for consumers.
- Ensures that the credit bureau/credit providers/debt counsellors are registered to avoid consumer exploitation.
- Promotes the responsible granting of credit by credit providers.
- Promote a fair but competitive credit market.
- Makes provision for the establishment of the National Credit Regulator/NCR
- Prevent discrimination and ensure credit is available to all consumers.

7.2 Impact of the National Credit Act/NCA on

businesses Positives/Advantages

- The whole credit process is transparent as both businesses and customers know their responsibilities.
- Lower bad debts resulting in better cash flow.
- Protects businesses against non-paying consumers.
- Authorised credit providers may attract more customers.
- Increases cash sales because businesses only grant credit to qualifying customers/more customers are buying in cash.

- Businesses do thorough credit checks and receive up-to-date documentation from the consumer as proof that they can afford the repayment.
- Leads to more customers through credit sales as they are now protected from abuse.
- Prevents reckless lending and businesses from bankruptcy.
- Credit bureau information is made available to businesses to check the credit worthiness of consumers before granting credit.

AND/OR

Negatives/Disadvantages

- Businesses can no longer carry out credit marketing.
- Businesses struggle to get credit/ such as bank loans/overdrafts.
- Businesses that do not comply with the NCA may face legal action.
- Debt collection procedures are more complex and expensive.
- Fewer customers buy on credit as it is more difficult to obtain credit.
- Increases the administration burden/paperwork which is costly/time consuming.
- Businesses need to appoint additional staff to deal with the extra administration.
- Leads to loss of sales as many consumers may no longer qualify to buy on credit.
- Should the credit agreement be declared reckless businesses can forfeit the outstanding debt and the goods.
- Businesses that are official credit providers, must submit a compliance report every year.
- Businesses must make sure that all attempts have been made to recover the debt before blacklisting the customer.

7.3 Action regarded as non-compliance by the NCA

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

7.4 Penalties for non-compliance with the NCA

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

- The business will bear all costs of removing the negative information of clients/ consumers who were blacklisted as a result of reckless lending.
- The business license may be revoked for reckless granting of credit and gross violations contravening the NCA.

7.5 Ways in which businesses can comply with the National Credit Act/NCA

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

7.6 Consumers have a right to:

- Refuse a credit limit increase.
- Obtain reasons for credit being refused.
- Apply for credit and to be free from discrimination.
- Access and challenge credit records and information.
- Receive protection of their personal information.
- Receive information in plain and understandable language.
- Receive documents/statements as required by the Act.
- Receive pre-agreement documentation/credit quote that is valid for 7 days before concluding any credit transaction.
- Fair and responsible marketing by the credit provider.
- Surrender/Return goods to the credit provider in order to settle the outstanding amount/debt.
- Apply for debt review/counselling if the consumers cannot afford to repay their debts.
- Receive protection from being held accountable for the use of their credit facility after they reported the loss/theft.

8 The Consumer Protection Act (CPA) (No. 68 of 2008)

INTRODUCTION

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

REFER TO PAGE 7 AND 8 OF THE 2021 EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Outline /Describe/ Explain/Discuss the purpose of the Consumer Protection Act CPA, 2008 (Act 68 of 2008).

Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/disadvantages) of the CPA on businesses.

Outline/Explain/Discuss actions regarded as non-compliance by the Consumer Protection Act CPA, 2008 (Act 68 of 2008)

Outline/Explain/Discuss penalties for non-compliance with the Consumer Protection Act CPA, 2008 (Act 68 of 2008)

Suggest/Recommend ways in which businesses can comply with the CPA.

Outline/Explain/Describe/Discuss the right of the consumers in terms of the CPA.

8.1 The purpose of the CPA

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

8.2 The Impact of the CPA on businesses

Positives/Advantages

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

AND/OR

Negatives/disadvantages

- Provisions in the Act increase risks, for unforeseen claims and lawsuits.
- Confidential business information may become available to competitors.
- Penalties for non-compliance may be very high.
- Businesses may feel unnecessarily burdened by legal processes.
- They have to disclose more information about their products and processes/services.
- Staff need to be trained /Legal experts need to be consulted, which can lead increase in operation costs.
- Many business documents need to be simplified /revamped at extra cost as consumers have a right to receive contracts in simple/understandable language.
- Administration costs increase as legal contracts need to be worded in plain language/pitched at the level of the consumer.
- Businesses may need insurance against claims from consumers /provisions in the Act to increase risks for unforeseen claims and lawsuits.
- Businesses have to replace/repair faulty items/refund money if the fault occurs within six months after purchase.
- Supply chain management in stock levels will have to change, as defective goods have to be replaced within six months at the request of the consumer.
- Information technology systems need to be improved as the retailer must keep more detailed records of interactions with consumers /be able to report to the National Consumer Commission.
- Consumers can take advantage of a business and return goods when it is not necessary to do so.
- Processes and procedures required by CPA can be expensive and time-consuming.
- They have to disclose more information about their products and processes/services.

8.3 Actions regarded as non-compliance/discriminatory by the CPA

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

8.4 Penalties for non-compliance with the CPA

- Businesses that do not comply may receive a compliance order that forces the business to comply with the CPA.
- Businesses that neglect to comply with the CPA may receive large fines and may be given a jail sentence/imprisonment, which will be dependent on the severity of the non-compliance.
- Licenses of businesses may be revoked for unfair consumer practices.
- A contract may be rendered void or a fine or term of direct imprisonment may be imposed.
- Businesses may face fines or imprisonment for a period not exceeding 10 years which will be dependent on the severity of the non-compliance.
- Government agencies may conduct audits, enact fines, or even dissolve your business entirely.
- Businesses will be forced to compensate consumers in line with the extent to which their rights have been violated.
- A business may be requested by the NCC to suspend activities indefinitely.
- Businesses may be compelled to pay interest or damages that are due to the consumer.

8.5 Ways in which businesses can comply with the CPA

- Display the name of the business and all business documentation, for example, letterheads/invoices/contracts.
- Allow consumers a five day cooling-off period in the sales agreement.
- Disclose prices of all products on sale.
- Ensure that the quality of the goods and services is standardised and identical for all consumers.
- Provide adequate training to staff on the CPA.
- All agreements must provide for a five-day cooling-off period in the sales agreement.
- Ensure that goods/services offered are standardised/of the same quality/

- Comply with the requirements regarding promotional competitions.
- Comply with requirements regarding the display of information on labels/ packaging, for
- example, smoking is hazardous for pregnant women.
- Display the name of the business on all business documents, e.g. invoices/contracts.
- Bundling of goods/services should benefit consumers, e.g. offering a cell phone and a tablet at a special price.
- Implement measures that will facilitate complaints, e.g. suggestion boxes.
- Conduct training with all staff members and stakeholders on the CPA.

8.6 The rights of consumer rights in terms of the CPA

Right to choose

Consumers have the right to:

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

Right to privacy

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

Right to fair and honest dealings

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

Right to disclosure and information

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

Right to fair and responsible marketing

- Businesses should not mislead consumers on pricing, benefits/uses of goods and services.
- Consumers may cancel purchases made through direct marketing within five working days/cooling period.

Right to accountability from suppliers

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

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 to consumers.

Right to equality in the consumer market

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

Right to fair and honest dealings

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

Right to fair value/good quality and safety

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

BUSINESS STUDIES
GRADE 12
PAPER 1
TERM 1
REVISED NOTES
CHAPTER 2
HUMAN RESOURCES FUNCTION
2026

TABLE OF CONTENTS

TOPICS	PAGES
2021 Examination Guidelines for Human Resource Function	47
Terms/Concept and Definitions/Meaning	47
Recruitment	47-51
Selection	52-56
Induction	56-58
Placement	58-59
Importance of training	59
Salary determination	59
The link between salary determination and BCEA	59
Fringe benefits	60-61
Implication of Acts on Human Resource	61-62

This chapter consists of 16 pages

THE HUMAN RESOURCES ACTIVITIES INTRODUCTION

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

These disciplines/functions/components/activities are all aimed at achieving organisational objectives.

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING REFER EXAMINATION GUIDELINES

TERM/CONCEPT	DEFINITION/MEANING
Recruitment	process used by a business to identify certain vacancies in the business and attract suitable candidates for it.
Job analysis	a tool used by the human resources function to obtain and analyse information about the business's workforce so that they can place the right person in the right job and consists of the job description and job specification.
Job description	describes duties/responsibilities/of a specific job.
Job specification	describes the minimum acceptable personal qualities/ skills/qualifications needed for the job.
Internal recruitment	process of sourcing potential candidates for certain available posts from within the business.
External recruitment	process of sourcing potential candidates for certain available posts from outside the business.

RECRUITMENT

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

1. RECRUITMENT

1.1 Meaning of recruitment

- Recruitment is the process used by businesses to identify vacancies in the business and attract suitable candidates for them.
- Recruitment aims at finding candidates who have the necessary knowledge/ experience/qualifications to fill the vacancy.
- Businesses may choose to use an internal or external method of recruitment depending on the nature/requirements of the vacancy.
- Recruitment is an ongoing process as employees leave their jobs for other jobs/get promoted /retire/as new technological skills are required.
- Recruitment begins with the process of actively seeking out/finding candidates for vacancies, to the successful integration of the candidates/recruit into the business.

1.2 THE RECRUITMENT PROCEDURE

- The human resource manager should evaluate the job/prepare a job analysis, that includes the job specification/job description in order to identify recruitment needs.
- The human resource manager (HRM) should prepare the job description in order to determine the responsibility/key performance areas related to the nature of the job.
- Human resources manager (HRM) should indicate the job specification/description/key performance areas to attract suitable candidates.
- Choose the method of recruitment, such as internal/external, to reach/target the suitable applicants/candidates.
- Vacancies can be internally advertised via internal email/word of mouth/staff notices.
- If internal recruitment is unsuccessful, external recruitment should be considered.
- If the external recruitment is chosen/done, the relevant recruitment sources should be selected, such as recruitment agencies/tertiary institutions/newspaper.
- An advertisement should be prepared with the relevant information, such as the name of the company, contact details, contact person.
- Place the advertisement in the appropriate media that will ensure that the best candidates apply.

NOTE: THE PROCEDURE CAN BE IN ANY ORDER

1.3 The meaning of job analysis

- A job analysis is a tool used by the human resources function to obtain and analyse information about the business's workforce so that they can place the right person in the right job.
- A job analysis consists of the 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.

The differences between job description and job-specification

JOB DESCRIPTION	JOB SPECIFICATION
• Describes duties/responsibilities of a specific job.	• Describe the minimum acceptable personal qualities/ skills/ qualifications needed for the job.
• A written description of the job and its requirements/ Summary of nature /type of the job.	• A written description of specific qualifications/ skills/ experience needed for the job.
• Describes key performance areas/ tasks for a specific job for example job title/working conditions/relationship of the job with other jobs in the business, etc.	• Describes key requirements of the person who will fill the position, for example, formal qualifications/willingness to travel/work unusual hours, etc.

1.5 METHODS OF RECRUITMENT

INTRODUCTION

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

Internal recruitment and External recruitment

1.5.1 Internal recruitment

- Refers to the process of sourcing potential candidates for certain available posts from within the business.

1.5.2 Internal recruitment

Sources of Internal recruitment

- Internal e-mails/Intranet/Websites to staff
- Word of mouth/Staff meeting
- Business newsletter/Circulars to staff.
- Internal/management referrals
- Notice board of the business
- Internal bulletins
- Recommendation of current employees
- Headhunting within the business/organisational database.

1.5.3 The impact of internal recruitment

Positives/advantages

- Cheaper/Quicker to fill the post as this method focuses on promoting existing employees.
- Placement is easy as management knows the employees' skills/ personality/experience/strengths.
- Provides opportunities for career paths within the business.
- The employee already understands how the business operates, induction/ training is not always necessary.
- Reduces the chances of losing employees, as future career prospects are available.
- Detailed, reliable information can be obtained from the supervisors/employee records.

AND/OR

Negative/disadvantages

- Current employees may not bring/Close the door to/new ideas into the business/from outsiders.
- Promoting a current employee may cause resentment amongst other employees
- Promotion may disrupt business operations as it creates open vacancies that need to be filled.
- The number of applicants is limited to current staff only.
- Employees who do not really have the required skills for the new job may be promoted.
- Current employees may need to be trained/developed before they can be promoted, which can be expensive.
- Staff that is not promoted may feel demotivated which may hamper.

1.5.4 External recruitment

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

1.5.5 Sources of external recruitment

- Recruitment agencies.
- Billboards.
- Printed media, for example newspapers/flyers/magazines/posters.
- Electronic media for example radio/TV.
- Social media/Social networks/Internet/Business websites.
- Walk-ins.
- Headhunting.
- Professional associations.
- Networking.
- Educational/Training institutions.

The impact of external recruitment

Positives/advantages

- New candidates bring new talents/ideas/experiences/skills into the business./ Overall efficiency/Increase in productivity may occur as the new workers adds value to the business.
- There is a larger pool of candidates from which to choose.
- It may help the business to meet affirmative action and BBBEE targets.
- Minimises unhappiness/conflict amongst current employees who may have applied for the post
- There is a better chance of getting a suitable candidate with the require skills/qualifications/competencies who does not need much training/ development which reduces costs.

AND/OR

Negatives/disadvantages

- Information on CVs/referees may not be reliable.
- Many unsuitable applications can slow down the selection process.
- New candidates generally take longer to adjust to a new work environment.
- External sources can be expensive, e.g. recruitment agencies' fees/advertisements in newspapers/magazines.
- External recruitment may limit promotion/growth opportunities for existing employees that could lead to resentment.
- The selection process may not be effective as an incompetent candidate may be chosen.
- Recruitment process takes longer as background checks must be conducted/ is time consuming due to the lengthy process of finding suitable candidates.
- In-service training may be needed which decreases productivity during the time of training.

2. SELECTION

INTRODUCTION TO SELECTION

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

TERM/CONCEPT	DEFINITION/MEANING
selection	choosing a qualified candidate/applicant for an available post based on the requirements of job analysis
selection procedure	The process that needs to be followed before appointments are made
Curriculum Vitae (CV)	a brief summary of the education, qualifications, experience, skills, previous occupations, and special personality traits of an individual that is used when
preliminary interviews	a short form of interviewing potential candidates to determine which candidates meet the specific criteria
interviewer	the individual/ manager responsible for asking questions during the interview/ conducting the interview
interview	a formal meeting where information is exchanged between the interviewer and the interviewee/respondent/ applicant

SELECTION

- Outline/Discuss/Explain the selection procedure.
- Explain the meaning of screening as part of the selection procedure.
- Discuss/Explain the purpose of an interview.
- Outline/Explain/Discuss the role of the interviewer before and during the interview.
- Outline/Explain/Discuss the role of the interviewee during the interview.
- Define/Elaborate on the meaning of an employment contract.
- Name/Outline/Mention the details/aspects/ contents of an employment contract.
- Outline/Explain/Discuss the legal requirements legalities of the employment contract.
- Analyse an employment contract from given scenarios and make recommendations for improvement.
- Outline/Explain/Discuss the reasons for the termination of an employment contract.

2.2 SELECTION PROCEDURE

OPTION 1

- Determine fair assessment criteria on which selection will be based.
- Sort the received documents/CVs according to the assessment/selection criteria.
- Compile a shortlist of potential candidates identified.
- Invite shortlisted candidates for an interview.
- A written offer is made to the selected candidate.
- Applicants must submit the application forms/curriculum vitae and certified copies of personal documents/IDs/proof of qualifications.
- Screen/Determine which applications meet the minimum job requirements and separate these from the rest
- Preliminary interviews are conducted if many suitable applications were received/to identify suitable applicants.
- Reference checks/Vetting process should be made to verify the content of CVs/regarding work experience/criminal records/qualifications.
- Shortlisted candidates may be subjected to various types of selection tests such as skills tests.
- Inform unsuccessful applicants about the outcome of their application. /Some advertisements indicate the deadline for informing only successful candidates.

OR

OPTION 2

- Receive documentation such as application forms and sort it according to the criteria of the job.
- Evaluate CVs and create a shortlist/screen the applicants.
- Check information in the CVs and contact references.
- Conduct interviews with shortlisted candidates.
- Offer employment in writing to the selected candidate(s).
- Conduct preliminary sifting interviews to identify applicants who are not suitable for the job, although they meet all requirements.
- Assess/Test candidates who have applied for senior positions/to ensure the best candidate is chosen.

2.3 Screening as part of the selection procedure

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

2.4 Purpose of an interview

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

2.5 Role of the interviewer before the interview

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

2.6 Role of the interviewer during the interview

- Allocate the same amount of time to each candidate.
- Introduce members of the interviewing panel to each candidate/interviewee.
- Make the interviewee feel at ease to acquire good responses.
- Explain the purpose of the interview to the panel and the interviewee.
- Record interviewees' responses for future reference.
- Do not misinform/mislead the interviewee by asking unrelated questions to the position.
- Avoid discriminatory/controversial types of questions.
- Provide an opportunity for the interviewee to ask questions about the position/job.
- Close the interview by thanking the interviewee for attending the interview.

2.7 Role of the interviewee during the interview

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

- Ask clarity seeking questions, about the job/position offered.
- Thank the interviewer for the opportunity given to be part of the interview.

2.8 Meaning of an employment contract

- An employment contract is an agreement between the employer and the employee and is legally binding.
- establishes both the rights and responsibilities of the employer and the employee.
- specifies the duties that would be carried out by the employee in exchange for remuneration from the employer.

2.9 Aspects that should be included in an employment contract

- Personal details of the employee.
- Details of the business/employer e.g. name/address, etc.
- Job title/Position
- Job description e.g. duties/ working conditions
- Job specification e.g. formal qualifications/willingness to travel.
- Date of employment/commencement of employment.
- Place where the employee will spend most of his/her working time.
- Hours of work, e.g. normal time/overtime.
- Remuneration, e.g. weekly or monthly pay.
- Benefits/Fringe benefits/Perks/Allowances.
- Leave, e.g. sick/maternity/annual/adoption leave.
- Employee deductions (compulsory/non-compulsory).
- Period of contract/Details of termination.
- Probation period.
- Signatures of both the employer and employee.
- List of documents that form part of the contract, e.g. appointment letter/code of conduct/ethics.
- Disciplinary policy, e.g. rules and disciplinary procedure for unacceptable behaviors.

2.10 Legal requirements of the employment contract

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

2.11 Reasons for terminating an employment contract

- Incapacity to work due to illness/injuries.
- By mutual agreement between the employer and employee.
- The duration of the employment contract expires/comes to an end
- The employer may dismiss an employee for a valid reason(s), e.g. unsatisfactory job performance, misconduct.
- Employer may no longer have work for redundant employees/cannot fulfil the contract/is restructuring.
- The employer may retrench some employees due to insolvency/may not be able to pay the employees.
- Employees decided to leave/ resigning voluntarily for better job opportunities.
- An employee may have reached the pre-determined age for retirement.

NOTE: LEARNERS ARE REQUIRED TO PROVIDE DETAILED RESPONSES, NO MARKS WILL BE AWARDED FOR NAMING ONLY.

3 INDUCTION

INTRODUCTION

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

CONTENT DETAILS FOR TEACHING, LEARNING EXAMINATION AND ASSESSMENT PURPOSES

- Define/Elaborate on the meaning of induction.
- Outline/Explain/Discuss the purpose of induction.
- Mention/Outline aspects that must be included in the induction programme.
- Discuss/Explain the advantages/benefits of induction for businesses.
- Quote/identify the benefit of induction from given scenarios.

3.1 Meaning of induction

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

3.2 Purpose of induction

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

3.3 Aspects to be included in an induction programme

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

3.4 Benefits of induction

- Allows new employees to settle in quickly and work effectively.
- Ensures that new employees understand rules and restrictions in the business.
- New employees may establish relationships with fellow employees at different levels.
- Make new employees feel at ease in the workplace, which reduces anxiety/insecurity/fear.
- The results obtained during the induction process provide a base for focussed training.
- Increases quality of performance/productivity which promotes the effective use of working methods/resources.
- Minimises/Decreases the need for on-going training and development.

- Employees will be familiar with organisational structures, such as who are their supervisors/low level managers.
- Opportunities are created for new employees to experience/explore different departments.
- New employees will understand their role/responsibilities concerning safety regulations and rules.
- New employees will know the layout of the building/factory/offices which saves production time.
- Learn more about the business so that new employees understand their roles/responsibilities to be more efficient.
- Company policies are communicated regarding conduct and procedures/safety and security/employment contract/conditions of employment/working hours/leave.
- Realistic expectations for new employees as well as the business are created.
- New employees may feel part of the team resulting in positive morale and Motivation.
- Employees may have a better understanding of business policies regarding ethical/professional conduct/procedures/CSR.
- Reduces the staff turnover as new employees have been inducted properly.

NOTE: LEARNERS DO NOT CONFUSE THE PURPOSE OF INDUCTION WITH THE BENEFITS OF INDUCTION.

PLACEMENT

- **CONTENT DETAILS FOR TEACHING, LEARNING EXAMINATION AND ASSESSMENT PURPOSES**
- Elaborate on the meaning of placement.
- Outline/Explain/Discuss the placement procedure.
- Explain/Discuss/the importance of training/skills development in HR.

Meaning of placement

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

Placement procedure

- Businesses should outline specific responsibilities/expectations of the new position.
- Determine the successful candidate's strengths/weaknesses/skills/ interests by subjecting him/her to a range of psychometric tests.
- Determine the relationship between the position and the competencies of the new employee.

The importance of training/skills development in human resources.

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

4. SALARY DETERMINATION METHODS

CONTENT DETAILS FOR TEACHING, LEARNING EXAMINATION AND ASSESSMENT PURPOSES

- Identify/Name the salary determination method from a given scenario.
- Explain/Differentiate/Distinguish between piecemeal and time-related salary determination methods.
- Explain the link between salary determination and the Basic Conditions of Employment Act.

Differences between piecemeal and time-related salary determination methods

PIECE-MEAL	TIME-RELATED
Workers are paid according to the number of items/ units produced/actions performed.	Workers are paid for the amount of time they spend at work/on a task.
Workers are not remunerated for the number of hours worked, regardless of how long it takes them to make 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

The link between salary determination and the BCEA

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

6. FRINGE BENEFITS

INTRODUCTION TO FRINGE BENEFITS

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

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

CONTENT DETAILS FOR TEACHING, LEARNING EXAMINATION AND ASSESSMENT PURPOSES

- Name/Mention/Give examples of employee benefits for an example.
- Explain/Discuss/Evaluate the advantages/positives and/or disadvantages/negatives of fringe benefits to business.

Examples of fringe benefits in the workplace

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

6.2 The impact of fringe benefits on businesses

Positives/advantages

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

AND/OR

Negatives/Disadvantages

- Businesses that cannot offer fringe benefits fail to attract skilled workers.
- It can create conflict/lead to corruption if allocated unfairly.
- Fringe benefits are additional costs that may result in cash flow problems.
- Errors in benefit plans may lead to costly lawsuits/regulatory fines.
- Decreases business profits, as incentive/package/remuneration costs are higher.
- Businesses which offer employees different benefit plans may create resentment./Employees who receive less benefit may not be motivated resulting in lower productivity.

- Administrative costs increase as benefits need to be correctly recorded for tax purposes.
- Workers only stay with the business for fringe benefits and may not be committed/loyal to the tasks/business.
- Businesses have to pay advisors/attorneys to help them create benefit plans that comply with the law

Benefits required by the law

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

5. IMPLICATIONS OF ACTS ON THE HUMAN RESOURCES FUNCTION

Implications of the Labour Relations Act (LRA) (No. 66 of 1995) on the Human Resources Function

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

The Implications of the Employment Equity Act) (EEA) (No. 55 of 1998) on the Human Resources Function

- Equal pay for work of equal value.
- Ensure that affirmative action promotes diversity in the workplace.
- The human resources manager must promote/provide equal opportunities in the workplace.
- Retrain/Develop/Train designated groups through skills development programmes.
- Define the appointment process clearly to ensure all parties are well informed.
- Compile employment equity plans that indicate how they will implement affirmative action.
- Assign a manager to ensure that the employment equity plan will be implemented/regularly monitored.
- Display a summary of the Act where employees can clearly see it/have access to it.
- Report to the Department of Labour on the progress in the

implementation of the equity plan.

- Conduct medical/psychological tests fairly to employees/when deemed necessary.
- Ensure that the workplace represents the demographics of the country at all levels.
- Restructure/Analyse current employment policies/practices/procedures to accommodate designated groups.

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

- The human resources manager should interpret the aims and requirements of the SDA and adapt workplace skills training programmes accordingly/ Training conducted by the business/HRM should be aligned to the SDA.
- Identify the training needs of the employees and provide them with training opportunities so that they will perform their tasks efficiently.
- Contribute 1% of their salary bill to the Skills Development Levy/SDL.
- Ensure training in the workplace is formalised /structured
- Appoint a full/part-time consultant as a Skills Development Facilitator.
- Assist managers in identifying skills/training needs to help them to introduce learnerships.
- Create opportunities so that they will perform their tasks efficiently.
- Use the National Qualification Framework/NQF to assess the skill levels of employees.
- Interpret/Implement the aims/requirements of the framework for the National Skills Development Strategy.

The implications of the Basic Conditions of Employment Act (BCEA) (No. 75 of 1997) on the Human Resources function

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

BUSINESS STUDIES

GRADE 12

PAPER 2

TERM 1

REVISED NOTES

CHAPTER 3

ETHICS AND PROFESSIONALISM

2026

TABLE OF CONTENTS

TOPICS	PAGES
Terms/Concepts and Definitions/Meanings	64
Exam guidelines ethics and professionalism	65
Definition of ethical behaviour	65
Examples of ethical and unethical business practices	66
Examples of professional and unprofessional business practices	66
Differences between professionalism and ethics	67
Application of King Code principles	67-68
Professional, responsible, ethical, and effective business practices	68-69
Types of unethical business practices and examples	70-72
Challenges posed by unethical business practices and their strategies	72
Types of unprofessional business practices and examples	72
Challenges posed by unprofessional business practices and their strategies	72-74

This chapter consists of 12 pages

INTRODUCTION

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

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING REFER EXAMINATION GUIDELINES

TERM/CONCEPT	DEFINITION/MEANING
Ethical behaviour	Acting according to with a set of values that is morally acceptable in society
Business ethics	the set of values of a business, displayed by its managers, executives and employees. These values must be morally acceptable by society, and within set business codes.
Professionalism	describes the internationally accepted standards and expectations that businesses and society have of people's conduct and levels of competence in the workplace. It is a broader concept than ethics and includes aspects such as appearance, attitude, loyalty, etc.
Business practice	the procedures/rules followed by a business in the pursuit of its objectives.

Corporate governance	the exercise of ethical and effective leadership by the individuals who are responsible for managing the business. They are required to achieve good performance, effective control, sustainability, and profitability.
Code of conduct	a document that states acceptable behaviour in the business. Everyone in the business must act according to these principles.
Annual General Meeting (AGM)	a meeting of a company attended by all the shareholders that takes place once a year.
Unprofessional practices	when people/the business do not act within the accepted standards and expectation, it is unprofessional behaviour.
Unethical practices	when the business acts with a different set of values of what is morally acceptable.
Responsibility	the legal and moral obligation of the business in relation to the economic, social and natural environment within which it operates.
Tax evasion	when a business does not declare all their income to SARS with the aim of paying less tax.
Transparency	directors and managers are expected to operate in a manner that makes it easy for stakeholders to understand what actions are performed.

CONTENT DETAILS FOR TEACHING, LEARNING EXAMINATION AND ASSESSMENT PURPOSES

- Define/Elaborate on the meaning of ethical behaviour.
- Give practical examples of ethical and unethical behaviour, e.g., using fair vs. unfair advertising techniques, etc.
- Define/Elaborate on the meaning of professional behaviour.
- Give practical examples of professional and unprofessional behaviour, e.g., good use of work time and abuse of work time, etc.
- Outline the differences/Differentiate/Distinguish between ethical and professional behaviour.
- Explain how businesses can apply the King Code principles of transparency, accountability and responsibility for good corporate governance to improve ethical business conduct.
- Suggest/Recommend ways in which professional, responsible, ethical and effective business practice should be conducted, e.g., payment of fair wages, providing quality goods and services, not starting a business venture at someone else's expense, etc.

1.1 The meaning of ethical behaviour

- acting according to a set of values that is morally acceptable in society.
- means that businesses have the responsibility to use moral codes that guide them to choose between right and wrong.
- refers to acting in ways consistent with what society and individuals think are good values.
- ethical behaviour is expected from every employee in the business.
- it means that the highest legal and moral standards are upheld when dealing with stakeholders.

1.2 The meaning of ethics

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

Examples of ethical and unethical practice

Ethical business practices	Unethical business practices
• Using fair advertising • Not using child labour • Treating all employees equally • Paying fair wages • Operating within the law • Business deals are conducted openly • Not engaging in illegal business practices • Ensuring that the environment is not polluted. • Adopting codes of good ethical practice. • Establishing corporative social responsibility initiatives. • Encouraging employees to adopt ethical behaviour. • Clients' and employees' information is not disclosed/used for the benefit of the business. • Shareholders' and employees' personal interests and business interests do not conflict with one another.	• Unfair advertising • Pricing of goods in rural areas • Taxation/Tax evasion • Paying employees unfair wages • Disobeying the law • Using bribery to gain business • Engaging in illegal business practices • Polluting the environment • Starting a venture at the expense of someone else

1.3 The meaning of professional behaviour

- Refers to what is right/wrong/acceptable in a business
- Set of standards of expected behaviour.
- Applying a code of conduct of a profession or business.
- Focuses on developing a moral compass for decision-making
- Includes guidelines on employees appearance communication/attitude/responsibility,

1.4 Examples of professional and unprofessional business practice

Professional business practice	Unprofessional business practice
• Good use of work time • Treating all people the same. • Using polite language to colleagues. • Keeping client's details confidential/Not using clients' information for personal gain.	• Using rude/impolite language • Abuse of work time. • Giving some people special favours. • Overstating the number of hours worked. • Unauthorised use of business resources. • Discussing clients' information/using clients' information for personal gain.

1.5 Differences between ethical behaviour and professional behaviour

Ethical behaviour	Professional behaviour
Refers to the principles of right and wrong/acceptable in society.	Refers/clarifies to what is right/wrong/acceptable in a business.
Conforms to a set of values that are morally acceptable.	Set of standards/specific level of competence expected behaviour.
Forms part of a code of conduct to guide employees to act ethically.	Applying a code of conduct of a profession or business.
Focuses on developing a moral compass for decision-making	Focuses on upholding the reputation of a business/profession.
Involves following the principles of right and wrong in business activities/practices/dealings.	Provides guidelines on employees' appearance/communication/attitude/responsibility.

1.6 Ways in which businesses can apply King Code principles for good corporate governance

1.6.1 Transparency

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

1.6.2 Accountability

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

1.6.3 Responsibility

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

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

- Mission statement should include the values of equality/respect.
- Businesses should develop equity programmes/promotes strategies to ensure that all employees are treated equally regardless of status/rank/power.
- Treat workers with respect/dignity by recognising work well done/the value of human capital.
- Plan properly and put preventative measures in place.
- Pay fair wages/salaries which are in line with the minimum requirements of the BCEA/Remunerate employees for working overtime/during public holidays.
- Engage in environmental awareness programmes/Refrain from polluting the environment such as legally disposing of toxic waste.
- Refrain from starting a venture using other businesses' ideas that are protected by law.
- Business decisions and actions must be clear/transparent to all stakeholders.
- Businesses should be accountable/responsible for their decisions and actions/ patent rights.
- Hire honest/trustworthy accountants/financial officers with good credentials.
- Regular/Timeous payment of taxes.
- All workers should have access to equal opportunities/ positions/ resources.
- Ensure that employees work in a work environment that is conducive to safety/ fairness/free of embarrassment.
- Employers and employees need to comply with legislation with regard to equal opportunities/human rights in the workplace.
- Training/Information/Business policies should include issues such as diversity/discrimination/harassment.

- Employers should respond swiftly and fairly to reported incidents of discrimination in the workplace.
- Orders/Tasks should be given respectfully and allow the recipient/employee to have a say in the way that task should be performed.
- Draw up a code of ethics/conduct.
- On-going development and training for all employees.
- Performance management systems/Appraisals should be in place.
- Adequate internal controls/monitoring/evaluation.

CONTENT DETAILS FOR TEACHING, LEARNING EXAMINATION AND ASSESSMENT PURPOSES

- Identify the following types of unethical business practices from given scenarios/statements:
 - **Unfair advertising**
 - **Pricing of goods in rural areas**
 - **Taxation/Tax evasion**
- Explain how the above-mentioned types of unethical business practices pose challenges to businesses.
- Recommend/Suggest ways in which businesses could deal with the above-mentioned types of unethical businesses practices.
- Identify the following types of unprofessional business practices from given scenarios/statements:
 - **Sexual harassment**
 - **Unauthorised use of workplace funds and resources**
 - **Abuse of work time**
- Explain how the above-mentioned types of unprofessional business practices pose challenges to businesses.
- Recommend/Suggest ways in which businesses could deal with the above-mentioned types of unprofessional business practices.

1.7 Types of unethical business practices and examples

Type of unethical/business practices	Examples
Unfair advertising	• Giving goods deceptive names/False labelling. • Selling second-hand goods as new goods. • Exaggerating the merits of the product/False promises • Using fine print to conceal important information. • Criticising competitor's goods. • Exploitations of children's lack of understanding. • Misuse of people with disabilities in advertisements. • Advertising that encourages violence.-Advertising goods at a very low price to attract customers but when the customer reaches the store the item is no longer there/Bait and switch. • Advertising a product showing additional items but does not clearly state that these items are excluded.
Pricing of goods in rural areas	• Inflating prices • Charging higher for goods of inferior quality in rural areas.
Taxation/Tax evasion	• Businesses that do not declare all their income to SARS. • Falsifying the business financial statements.

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

Challenges posed by the above-mentioned types of unethical business practices

1.7.1 Unfair advertising

Challenges posed by unfair advertising as an unethical business practice

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

1.8 Ways in which businesses can deal with unfair advertising in the workplace

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

1.7.2 Pricing in rural areas

Challenges posed by pricing in rural areas as an unethical business practice

- Some businesses in rural areas exploit their customers by adding much more than necessary to their prices.
- Some consumers in rural areas have little economic power and are vulnerable to exploitation.
- It may be common practice to pay higher prices for goods of inferior quality in rural areas.
- Businesses may form monopolies in rural areas and increase their prices unilaterally.

Ways in which businesses can deal with pricing in rural areas in the workplace

- A business may lobby with other businesses in the area to convince the government to improve infrastructure in the rural area.
- Charge market related/fair/affordable prices for goods and services.
- Work together with suppliers to share delivery costs to remote rural areas.
- Businesses can buy in bulk to get a discount to avoid charging high prices.
- Businesses must charge fair/market-related prices for goods and services.
- Avoid unethical business practices to attract customer loyalty.
- Investigate cost-effective ways of transporting products/Hire a large truck to combine deliveries to shop owners in the same area.

1.7.3 Taxation/tax evasion

Challenges posed by taxation/tax evasion as an unethical business practice

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

Ways in which businesses can deal with taxation/tax evasion in the workplace

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

1.8 Type of unprofessional business practices and examples

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

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

1.8.1 Sexual harassment

Challenges posed by sexual harassment as an unprofessional business practice

- The affected party is normally reluctant to report the incident because of the fear of victimisation.
- The business can lose workers because they do not feel safe in the business.
- Sexual harassment causes discomfort/humiliation and interferes with the ability of the victim to complete assigned work tasks.
- A victim may be severely traumatised, and this may affect other employees emotionally.
- Sometimes the victim prefers to stay away from work, and the business loses productivity.
- Sexual harassment causes emotional trauma and the victim's attitude will become negative in the workplace.

Ways in which business to deal with sexual harassment in the workplace

- Provide a framework for corrective action.
- Educate employees on sexual harassment matters.
- Formulate a policy regarding sexual harassment
- Implement internal complaints and disciplinary procedures.
- Ensure compliance with the law/business code of conduct
- Ensure that all employees are familiar with the code of ethics of sexual abuse.
- Create a good working environment where all employees' rights and dignity are respected.
- Internal investigation should be done in order to determine the seriousness of the harassment.
- Serious cases/matters of sexual harassment should be reported to the appropriate institutions such as the South African Police Services (SAPS).

1.8.2 Unauthorised use of workplace funds and resources

Challenges posed by unauthorised use of workplace funds and resources as an unprofessional business practice

- Fraud increases the cost of doing business and undermines the competitiveness of a business.
- It may affect the competitiveness of the business.
- It could discourage customers when prices are increased to absorb the losses.
- It could discourage investors when the business receives bad publicity from lawsuits.
- Discourages investors as fraud and corruption increase the risk of investment.
- The business can experience substantial loss if it goes unchecked.

Ways in which businesses deal with unauthorised use of workplace funds and resources

- Conduct regular audits to prevent unauthorised use of funds at an early stage.
- Identify risk areas/vulnerable areas to prevent financial losses/maintain ethical operations.
- Implement/Introduce fraud prevention strategies.
- Educate employees about the impact of fraud.
- The business must implement/Introduce fraud prevention strategies

- Limit the number of employees having access to business funds/assets.
- Fraud prevention should be a collective responsibility of businesses and workers.
- Clear policies should be in place so that employees are aware of what is considered to be fraud.
- Set up systems in the organisation for the reporting of fraud and corruption.

1.8.3 Abuse of work time

Challenges posed by abuse of work time in the workplace

- It may result in employees often abusing work time.
- Abuse of work time could result in losing customers or not meeting deadlines.
- Wasting time costs the business money and affects productivity.
- Abuse of work time results in a decline in profits which could damage the financial wealth of the business.
- Effective customer services may not be rendered resulting in a negative image of the business

Ways in which businesses deal with abuse of work time

- Speak directly to those employees who abuse work time.
- Make employees aware that profit will decrease √ resulting in less incentives/bonus pay-outs.
- The code of conduct/ethics should contain clear rules about the abuse of work time.
- Businesses should conduct training on the contents of the code of conduct/ ethics.
- The code of conduct/ethics should be signed by all employees so that they are aware of its contents.
- Structure working hours in such a way that employees have free/flexible time for personal matters.

BUSINESS STUDIES
GRADE 12
PAPER 2
TERM 1
REVISED NOTES
CREATIVE THINKING AND PROBLEM SOLVING
2026

TABLE OF CONTENTS

TOPICS	PAGES
Terms/Concepts and definitions/meaning	76
Exam guidelines for creative thinking and problem solving	77
Differences between problem solving and decision making	77
Problem solving steps	78
Application of problem solving steps	78
Problem solving techniques	79
Application of the problem solving techniques	79-82
Impact of problem solving techniques	82
Meaning of creative thinking	82
Ways in which businesses can create an environment that promotes creative thinking.	82-83
Advantages/benefits of creative thinking	83

This chapter consists of 11 pages

1. PROBLEM- SOLVING

INTRODUCTION

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

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

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING REFER EXAMINATION GUIDELINES

TERM/CONCEPT	DEFINITION/MEANING
Action plan	a plan that shows all the steps that are necessary to achieve
Problem-solving	the process of gathering the facts that are necessary to overcome a specific challenge.
Decision-making	in this step, the decision-maker(s) must consider various
Creative thinking	it is the ability to look at the same scenario/challenge and come up with original, new innovative ideas/solutions.
Innovative	this is when different new ideas are used to create something unique or create a new solution for the same problem.
Problem-solving technique	the method used to solve complex business- related problems.
Innovate	this is when different new ideas are used to create something unique or
Generate	to produce or create an idea
Problem	Experiencing uncertainty or difficulty in achieving what we want to achieve.

CONTENT DETAILS FOR TEACHING, LEARNING EXAMINATION AND ASSESSMENT PURPOSES

PROBLEM-SOLVING

- Define/Elaborate on the meaning of problem-solving and decision making.
- Explain/Differentiate/Distinguish between problem- solving and decision making.
- Identify/Name/Outline/Explain/Discuss the problem solving steps.
- Apply the problem-solving steps from given scenarios/case studies.
- Identify/Name the following problem solving techniques from given scenarios/statements:
 - **Delphi technique**
 - **Force field analysis**
 - **Brainstorming**
 - **Nominal group technique**
- Explain/Advise businesses on how they can apply the above-stated problem-solving techniques to solve complex business problems.
- Discuss/Evaluate/Analyse the impact (positives/advantages and/or negatives/ disadvantages) of the above-stated problem-solving techniques.
- Define/Elaborate on the meaning of creative thinking.
- Explain the benefits/advantages of creative thinking in the workplace.
- Explain/Recommend ways businesses can create an environment that promotes creative thinking in the workplace.

1.1 Meaning of problem solving

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

1.2 Meaning of decision making

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

1.3 DIFFERENCES BETWEEN PROBLEM SOLVING AND DECISION MAKING

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

1.4 Problem-solving steps

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

1.4.1 Application of problem solving steps

Identify the problem

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

Define the problem

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

Identify alternative solutions

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

Evaluate alternative solutions

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

Select the most appropriate solutions

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

Develop an action plan/Solution

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

Implement the suggested action plan/solution

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

Monitor the implementation of the action plan/solution

- Test the action plan/solution continuously to improve the effectiveness of the action plan.
- Check/Track if progress made is in line with the objectives of the action plan.

Evaluate the implemented action plan/solution

- Assess whether the problem has been solved partially or entirely.
- Unresolved problems should be recognised/re-formulated/reviewed to ensure an improved action plan/solution in the future.

1.5 Application of the problem solving techniques

1.5.1 Ways in which business can apply the Delphi Technique

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

IMPACT OF DELPHI TECHNIQUE

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

Application of the Nominal Group Technique

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

IMPACT OF NOMINAL GROUP TECHNIQUE

Nominal group technique

Positives/Advantages

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

Negatives/Disadvantages

AND/OR

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

Application of brainstorming

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

The impact of brainstorming

Positives/Advantages

- People get ideas from others and build on them.
- Stimulates creative thinking in the workplace.
- Better or unique solutions and/or ideas are developed through collective contributions and will give the business a competitive advantage.
- Productivity increases if the business generates ideas that use time and money more effectively.
- Managers will be better leaders because they will be able to manage change creatively.
- Creativity may lead to new inventions, which may improve the general standard of living.
- Combinations of ideas/improvements can be chosen after all the ideas have been written down.
- Employees are motivated as they are allowed to contribute to problem solving.

AND/OR

Negatives/Disadvantages

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

Application of the force-field analysis

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

The impact of the Force-Field Analysis

Positives/Advantages

- Employees feel included and understand where the business is going.
- Employees develop and grow with the business because they are included in the process.
- It provides a visual summary of all the various factors supporting and opposing a particular idea
- Informed decisions can be made because driving forces (forces for) a restraining forces (forces against) are critically evaluated.
- It enables businesses to strengthen the driving forces and weaken the restraining forces.
- Businesses are able to have an idea of the timeline required and the requirements of additional resources.

AND /OR

Negatives/Disadvantages

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

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

- Emphasise the importance of creative thinking to ensure that all staff know that management wants to hear their ideas.
- Make time for brainstorming sessions to generate new ideas such as regular workshops/build on one another's ideas.
- Place suggestion boxes around the workplace and keep communication channels open for new ideas.

- Train staff in innovative techniques/creative problem-solving skills/mind- mapping/lateral thinking.
- Encourage job swops within the organisation/Study how other businesses are doing things.
- Encourage employees to develop/come up with new/unique ideas/alternative ways of working/doing things.
- Reward creativity by offering reward schemes to employees/Introduce incentives for staff members who came up with useful creative ideas.
- Respond enthusiastically to all ideas and never let anyone feel less important.
- Make the working environment conducive to creativity/free from distraction/high noise levels

Advantages of creative thinking in the workplace

- Better/Unique/Unconventional ideas/solutions are generated.
- May give the business a competitive advantage if unusual/unique solutions/ ideas/strategies are implemented.
- Broadens the range of possible solutions when solving complex business problems.
- Productivity increases as management/employees may quickly generate multiple ideas which utilise time/money more effectively.
- Managers/Employees have more confidence as they can live up to their full potential.
- Managers will be better leaders as they will be able to handle/manage change(s) positively/creatively.
- Managers/Employees can develop a completely new outlook, which may be applied to any task(s) they may do.
- Leads to more positive attitudes as managers/employees feel that they have contributed towards problem-solving.
- Improves motivation amongst staff members which leads to higher job satisfaction.
- Managers/Employees have a feeling of great accomplishment, and they may not resist/obstruct the process once they solved a problem/contributed towards the success of the business.
- Management/Employees may keep up with fast changing technology which may lead to an increased market share.
- Stimulates initiative from employees/managers, as they are continuously pushed out of their comfort zone.
- Creativity may lead to new inventions, which improves the general standard of living/attract new investors.
- Businesses can continuously improve on product development by exploring new ways to enhance growth.

BUSINESS STUDIES

GRADE 12

PAPER 1

TERM 1

CHAPTER 5

REVISED NOTES

BUSINESS STRATEGIES

2026

TABLE OF CONTENTS

TOPICS	PAGES
Terms and definitions	85-87
Definition of a strategy	88
Examination guidelines for business strategies	88
The strategic management process	89
SWOT analysis	90-91
Example of a SWOT analysis	91
PORTERS' FIVE Forces	92-93
Application of PORTERS Five Forces	93
PESTLE analysis	94
Challenges posed by the PESTLE factors and recommendations	94-97
Types of business strategies	98-102
Steps in evaluating a strategy	102

This chapter consists of 14 pages

1. BUSINESS STRATEGIES

INTRODUCTION

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

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

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

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

ENRICHMENT: DO NOT USE IT FOR ASSESSEMENT OF LEARNING REFER EXAMINATION GUIDELINES

TERM/CONCEPTS	DEFINITION/MEANING
Backward vertical integration	the business combines with/merges/takes over its suppliers up the supply chain/production chain.
Barriers to new entrants to the market	the existing barriers that prevent new entrants from entering the market successfully.
Buyers	the customers/consumers/clients who purchase goods and services from the business.
Competitors	rival businesses that sell similar or identical products to the customers of your (the) business.
Competitor's profile	the systematic gathering of data of a competitor that the business uses to enhance its competitive position.
Concentric diversification	the business adds new products/services that are related to existing/current products/services but will appeal to
Conglomerate diversification	the business adds new products/services that are unrelated to existing products which may appeal to new
Defensive strategies	the business uses defensive strategies to defend the existence/survival/operations of the business during times of financial difficulty/turmoil/defend itself from

Diversification strategies	diversification strategies are used to expand/ extend business operations by adding products/services/ markets/stages of production of the existing business into ~~new markets/ product segments~~
Divestiture/Divestment	the business disposes/sells some assets/divisions that are no longer profitable/productive/functional/relevant
Forward vertical integration:	the business combines/merges with/takes over its distributors down the supply chain/production chain.
Horizontal diversification:	the business adds new products/services that are unrelated to existing/current products, but which may
Horizontal integration	the business takes control of/incorporates/merges with other businesses in the same/related industry that produce/sell the same/similar products.
Industrial analysis tool	a specific tool/technique/method/process that is used by a business to analyze a particular business
Integration strategies:	used by businesses to gain control over suppliers/ distributors/competitors.
Intensive strategies	require intensive efforts by the business to improve its competitive advantage/position with existing or new products in the market, to increase/improve the
Liquidation:	the business sells all assets to pay creditors due to a lack of capital/the inability to repay creditors/bankruptcy.
Market development:	the business uses this growth strategy to sell its ~~existing/current products in new markets/ geographical~~
Market penetration	the business focuses on selling existing/current products ~~into the existing/current market to increase their market~~
Market share:	the portion of the market/customers to which the business sells products/services.
New entrants	new businesses that enter the market/industry for the first
PESTLE analysis	an industrial analysis tool/environmental scanning ~~technique that is used to identify and evaluate the~~
Porter's Five Forces model:	based on the rationale that five forces determine/influence the competitive strength/position of
Power of buyers	the ability of buyers to influence the business to
Power of competitors	the degree/amount of power of existing/current competitors within the market.
Power of suppliers	the ability of suppliers to increase the price of the supplied product/service.
Product development:	the business uses this growth strategy to introduce new ~~products into existing/current markets~~

Retrenchment:	the business terminates the employment contracts of employees for operational /structural/restructuring
Strategic management	how an organization defines its strategy.
Strategy	a purposeful course of action that the business follows to achieve its purpose/objectives/goals/aims.
Substitute products:	cheaper alternative/replacement products used by
Suppliers:	businesses that provide inputs/raw materials/semi-finished goods/ products to the business.
Supply chain/production chain	the steps/processes required to get the product to the customer through the primary, secondary, and tertiary business sectors.
SWOT Analysis	an industrial analysis tool/environmental scanning technique that enables a business to study the internal (micro) and external (market and macro) environments of

**CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
REFER TO PAGE 9 AND 10 OF THE 2021 EXAMINATION GUIDELINES**

BUSINESS STRATEGIES

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

INDUSTRIAL ANALYSIS TOOLS

- Compile a SWOT analysis of a particular business from a given scenario.
- Name and identify Porter's Five forces model from given statements/scenarios.
- Explain/Advise businesses on how they could apply Porter's Five Forces model to analyse their position in the market.
- Name and apply PESTLE analysis factors from given scenarios/statements.
- Explain how PESTLE factors pose challenges to businesses.
- Recommend ways in which businesses can deal with the challenges that are posed by PESTLE factors.
- Name/ identify the following types of business strategies from a given scenario/statement
 - Integration strategies
 - Intensive strategies
 - Diversification strategies
 - Defensive strategies
- Explain/describe/discuss the following types of business strategies.
 - Integration strategies
 - Intensive strategies
 - Diversification strategies
 - Defensive strategies
- Outline/Explain/Discuss the advantages of intensive and diversification strategies.
- Outline/Explain/Recommend/Advise businesses on the steps in strategy evaluation.

1. DEFINITION OF A STRATEGY

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

1.1 THE STRATEGIC MANAGEMENT PROCESS

1.2 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.
- Use tools available for environmental scanning which may include a SWOT analysis/Porter's Five Forces model/PESTLE analysis/industrial analysis tools.
- Formulate alternative strategies to respond to the challenges.
- Develop/Create (an) action plan(s), including the tasks to be done/deadlines to be met/resources to be procured, etc.
- Implement selected strategies by communicating them to all stakeholders/organising the business's resources/motivating staff.
- Continuously evaluate/monitor/measure strategies to take corrective action.

Option 2

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

NOTE: The steps may be in any order.

**NOTE: 1. THE STEPS MAY BE IN ANY ORDER.
2. LEARNERS MUST NOT MIX OPTION 1 AND 2**

1.2 INDUSTRIAL ANALYSIS

1.2.1 COMPILATION OF A SWOT ANALYSIS

STRENGTHS • The competitive advantage of the business. • Efficient skills/expertise/knowledge of human resources • High-quality products/services being provided to customers • What unique or lowest-cost resources can you draw upon that others can't? • Unique resources being used by the business • What is your core competency? • The strategic location of the business • Successful marketing campaigns • Sound financial management/ budgeting practices • High brand visibility/identity/presence within the market.	WEAKNESSES • High-cost infrastructure • High employee turnover • Weak brand portfolio • High debts level • What are people in your market likely to see as weaknesses? • What factors cause loss of sales • Are your competitors doing any better than you? • Internal aspects in which the business is not doing well • Inefficient use of organisational resources • Resources that are lacking within the business • Limitations regarding funding • The internal business process that needs improvement • Inefficient/weak work ethic • Employees arriving late for work • Employees unable to work cohesively within a team
OPPORTUNITIES • Market growth for the business product. • New technology that will enhance quality services and products. • Changing customer habits. • The disposable income level will increase. • Government's incentives for 'specific industry • Growing number of people buying online (electronic marketing) • What good opportunities can you spot? • Potential trends within the market • Identification of gaps within the market	THREATS • Corporate tax may increase. • Rising pay levels. • Intense competition. • Increasing fuel price. • Aging population. • Stricter laws regulating environmental pollution. • Currency fluctuations. • Changing technology. • Aggressive competition from competitors • Inefficient suppliers delivering poor quality goods • Inefficient suppliers delivering inputs late • Load shedding/national power outages • Increases in the interest rate

• Foreclosure of competitors • Vacant buildings for expansion opportunities • Upcoming external events for networking	• International/world crises such as Covid-19
• Local government encouraging/ supporting SMMEs • Suppliers reducing prices of scarce inputs • Competitors that cannot adapt to customer needs • Competitors that cannot adapt to changing technology • Underserved markets for certain products • Few competitors in the area	• Economic decline in the country • Social issues such as crime/poverty/ unemployment • Changes in technological devices • Environmental degradation • The decline in demand for products/ services

NOTE: The SWOT analysis is usually assessed in the form of a scenario as indicated below: Example of a scenario that requires learners to compile a SWOT analysis

DAVE DIGITAL SOUND (DDS) DDS specializes in selling radios and car sound systems. They employ qualified sound engineers. The business does not have sufficient capital to buy and sell sound systems that cater for large events. Businesses in the same industry are closing down due to ineffective marketing campaigns

An example of a SWOT analysis of Dave Digital Sound DDS

STRENGTHS • DDS employs qualified sound engineers. • DDS specialises in selling radios and car sound systems.	WEAKNESSES • The business does not have sufficient capital to buy/sell sound systems that cater for large events.
OPPORTUNITIES • Businesses in the same industry are closing down due to ineffective marketing campaigns.	THREATS • DDS is located in a high-crime area.

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

1.3 PORTERS' FIVE FORCES MODEL

INTRODUCTION

The Porter's Five Forces Model is an industrial analysis tool that was developed by Michael E. Porter to analyse the position of the business in the market environment. This model is based on the rationale that five forces determine/ influence the **competitive strength**/position of the business within the market/ industry. It is used by businesses around the world to measure amongst others, profitability/**competitive intensity**/ competitive environment/**competitive position**/attractiveness within the market/industry. Porter's Five Forces Model enables businesses to develop suitable strategies to address challenges posed by the business.

1.3. PORTERS' FIVE FORCES MODEL

- Power of suppliers/Bargaining power of suppliers.
- Power of buyers/Bargaining power of buyers.
- Power of competitors/Competitive rivalry
- The threat of substitution/substitutes
- Threat/Barriers of new entrants to the market

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

NOTE: ENSURE THAT YOU CAN CORRECTLY NAME THE ABOVE-MENTIONED PORTER'S FIVE FORCES MODEL TO AVOID LOSING MARKS.

1.3.1 APPLICATION OF PORTER'S FIVE FORCES MODEL

Power of suppliers

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

Power of buyers

- Assess how easy it is for buyers/customers to drive prices down.
- Buyers buying in bulk can bargain for prices in their favour
- Conduct market research to gather more information about its buyers.
- 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.
- If buyers can do without the business's products, then they have more power to determine the prices and terms of sale.

Power of competitors/Competitive rivalry

- If competitors have a unique product/service, then they will have greater power.
- A business with many competitors in the same market has very little power in its market.
- Competitors using various pricing and marketing strategies are likely to have power over the business.
- Competitors selling the same/similar products/services may have a greater impact on the market of the business.
- Some businesses have the necessary resources to start price wars and continue selling at a loss until some/all competitors leave the market.

Threat of substitution/substitutes

- Business's product can be easily substituted it weakens the power of the business in the market.
- Establish whether the sellers of substitute products have improved/enhanced their product/sell lower quality goods at lower prices.
- If the business sells unique/scarce products it will not be threatened by substitute products.
- Assess if customers are using substitute products/services and determine reasons for using substitutes.

Threat/Barriers of new entrants to the market

- If the barriers to entering the market are low, then it is easy for new businesses to enter the market/industry.
- Assess/identify and sustain/enhance the barriers to enter the market, which may prevent new businesses from entering the market/industry.
- If there are a few suppliers of a product/service but many buyers, it may be easy to enter the market.
- If the business is highly profitable, it will attract potential competitors who want to benefit from high profits.

NOTE: The main aim of Porter's Five Forces model is to analyse the business position in the market.

This is more of a research study done by businesses. Do not focus on recommendations as this does not form part of an analysis.

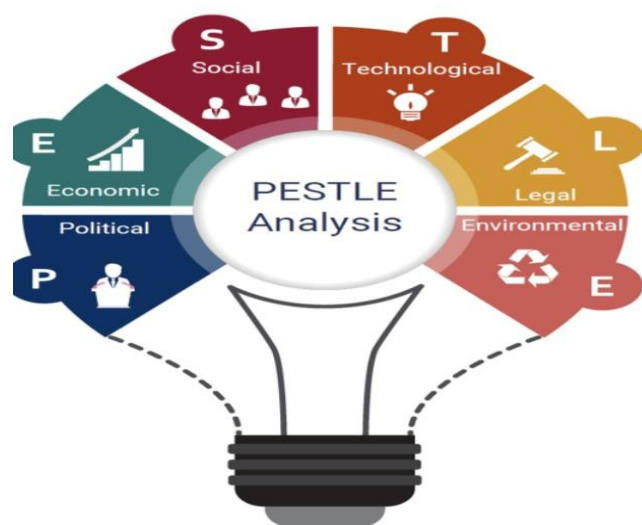
You must also be able to identify Porter's Five Forces model from given statements and scenarios.

1.3.2 PESTLE ANALYSIS

INTRODUCTION

PESTLE analysis is an industrial analysis tool/environmental scanning technique that is used to identify and evaluate the factors that pose challenges in the external environment (macro environment). This tool enables businesses to identify challenges posed by the external environment and develop ways to deal with these challenges. Businesses that apply PESTLE analysis can respond quickly to challenges posed by the external environment. The correct application of the PESTLE analysis factors ensures that the business remains competitive/sustainable/ profitable in the market.

1. Political factors
2. Economic factors
3. Social factors
4. Technological factors
5. Legal factors
6. Environmental factors



1.3.3 CHALLENGES POSED BY THE PESTLE FACTORS AND RECOMMENDATIONS

PESTLE FACTOR	CHALLENGES	RECOMMENDATIONS
Political	Some government policies may affect businesses	Research recent government policies
	Consumer rights organisations may prevent businesses from selling products if they do not meet certain requirements.	Network and lobby with the NGOs and all consumer rights organisations.
	Trade agreements may prevent businesses from importing some medicine/products.	Trade only with countries that have favourable trade agreements with the government.

Economic	• Inflation/Interest rates may negatively impact on business/negatively impact the business/decrease the market share of business as customers cannot afford high prices/ increases in taxes lower consumer spending.	• Business should consider decreasing their profit margins rather than increasing product prices.
	• Loans may be expensive due to high-interest rates.	• Borrow money from financial institutions when interest rates are favourable. • Negotiate favourable interest. • Negotiate payments terms with suppliers.
	• Fluctuations in foreign currency may restrict imports.	• Consider exchange rates when trading with other countries.
	• Decrease in foreign direct investment by important foreign investors.	• Sell shares at competitive/lower prices to attract more foreign direct investment. • Sell/Dispose parts of assets that are no longer profitable.
Social	• Customers may not be able to afford products due to low- income levels/high unemployment rate.	• Sell substitute/generic products at lower prices.
	• Businesses may not be conversant with the language of their customers.	• Learn local languages/Hire employees who are well conversant with the local language.
	• Some businesses may lose sales as customers may prefer to spend their money on medical bills/expenses for treatment of chronic illnesses.	• Develop/produce/incorporate/in nov ate new products that aim to address the lifestyle attitudes/trends of customers.



	A high crime rate may affect the trading hours of businesses resulting in decreased profit.	Work together with community police forums and improve security in the business.
Technological	Businesses may not keep up with/be aware of the latest technology.	Continuous research on the latest available technology/equipment in the market.
	Employees may not be skilled to operate/maintain new technology/equipment.	Train existing/appoint new employees to maintain/use new equipment.
	Businesses may not be able to afford new technology.	Compare prices/Select suitable suppliers for new equipment at reasonable prices.
	May not be able to cater for/ afford online transactions/e-commerce.	Businesses must be geared for online trading/e-commerce.
Legal	Certain Acts may have a direct impact on a business, e.g. the CPA/BCEA.	Comply with all relevant legislation that may impact businesses.
	Legal requirements for operating certain types of businesses are time-consuming.	Comply with the legal requirements for operating businesses, e.g. license/trademark registration/patents.
	High legal costs involved in obtaining a license/trademark/patent may prevent some establishments.	Budget for high legal establishment costs.
	Legalities of business contracts may limit business operations.	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.	Chemicals/Ingredients should be clearly indicated on labels/packaging to inform customers about possible side effects/correct use of products.
	Measures to dispose of business waste may be expensive.	Implement cost-effective measures to dispose of medical waste.
	The packaging of some products may not be environmentally friendly and may not be recyclable.	Implement recycling measures to prevent pollution of the environment/Use packaging that is reusable/recyclable.
	The business may not be aware that its current practices are environmentally unsustainable/contribute to environmental degradation.	Engage in environmentally sustainable practices such as the conservation/ preservation of natural resources.

- NOTE: 1. You need to name the PESTLE factor, identify the challenges of each factor, and recommend ways businesses can deal with the identified challenges as explained in the table above:**
- 2. The industrial analysis tools (SWOT, PESTLE, AND PORTERS'FIVE) and business strategies form part of the strategic management process.**

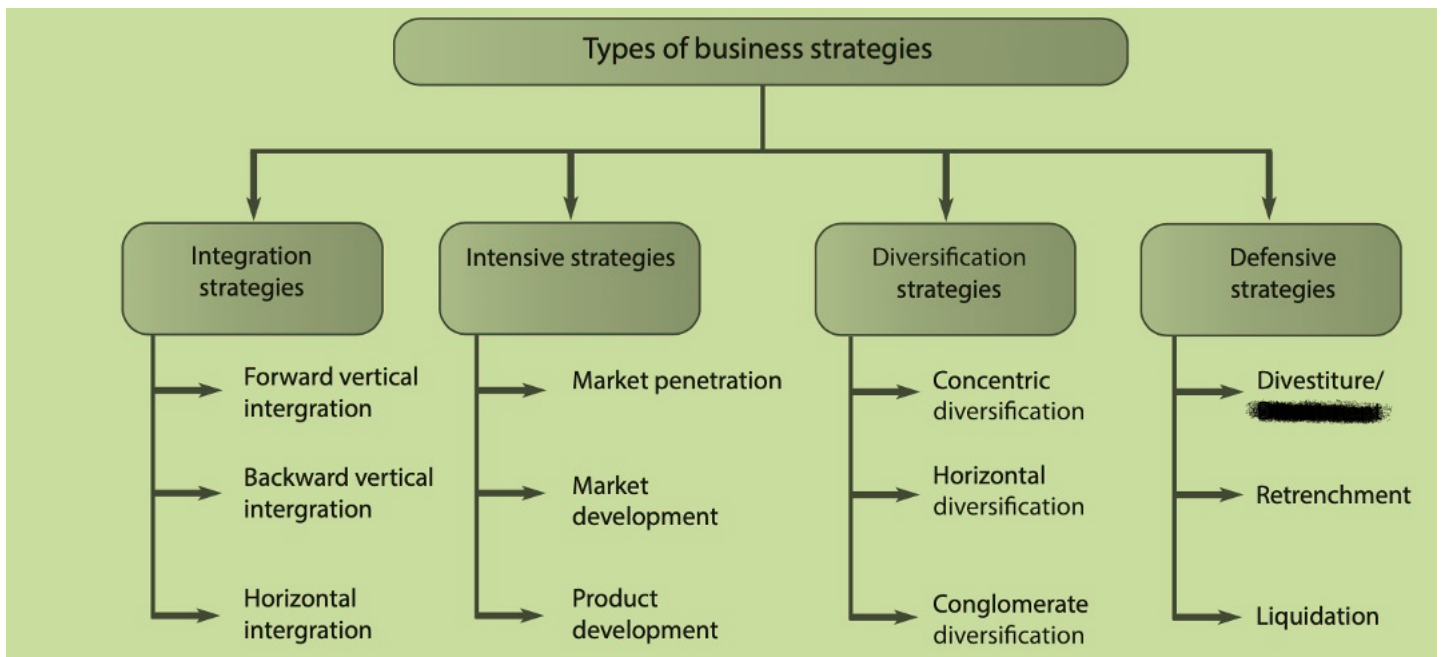
1.4 BUSINESS STRATEGIES

INTRODUCTION

Now that the business has identified the various challenges from conducting environmental scanning using

The THREE industrial analysis tools, they will now be in a better position to develop and implement the various types of business strategies.

Business strategies serve as a guideline on how businesses should remain sustainable in a particular market. The correct application of any type of business strategy depends on the challenges that were identified during the strategic management process.



1.4. THE FOUR TYPES OF BUSINESS STRATEGIES

1.4.1 Integration strategies Forward vertical integration

- A business combines with or takes over its distributors down the supply chain/production chain/ The business merges with businesses that were once their customers, while still maintaining control of the initial/primary business activity.
- Involves expansion of business activities to gain control over the distribution of products/services/sells products/services/sells product/services directly to consumer/customer.
- Increase profitability as the intermediary/distributor/middlemen are excluded.

Backward vertical integration

- The business combines with/merges/takes over its suppliers up the supply chain/production chain./The business expands its role to fulfil activities/tasks that were formerly/previously completed by suppliers.
- Aims is to decrease the business's dependency on the supplier.
- Enables businesses to cut costs and have influence over the prices/quality/ quantity of raw materials.

Horizontal integration

- A business takes control of/incorporates/merges with other businesses in the same/ related industry that produce/sell the same/similar goods/services. /It is the acquisition/takeover of a related business that operates at the same level of supply chain in the industry
- The aim is to reduce the threat of competition/substitute products/services.
- Increases the market share/sales/profits and enhance production/distribution.
- Suitable for businesses that operate in multiple geographical areas through joint ventures/licensing/franchising.

1.4.2 Types of Intensive strategies

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.
- Aggressive marketing campaigns such as lowering/ reducing prices to attract potential/existing clients
- Businesses focus on selling existing products into the existing markets to increase their market share.
- Business use market research on existing clients to decide on how to improve their marketing mix
- Embark on an intensive advertising campaign to increase awareness and customer loyalty.
- Employ more sales staff to improve sales/services.

Market Development

- It is a growth strategy where businesses aim to sell their existing products in new markets.
- Businesses target consumers in a potential market that is outside of its normal target market.
- Increasing sales of existing products by finding new ways to develop new markets.
- Prices are restructured/reviewed to cater for customers/consumers of all income levels.

Product Development

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

Differences between market development and product development

MARKET DEVELOPMENT	PRODUCT DEVELOPMENT
It is a growth strategy where businesses aim to sell their existing products in new markets.	It is a growth strategy where businesses aim to introduce new products into existing markets/modify an existing product.
Businesses target consumers in a potential market that is outside of its normal target market.	Businesses generate new ideas/develop new products/services for existing/current markets.
Increasing sales of existing products by finding new ways to develop new markets.	Businesses conduct test marketing/market research to establish whether new products will be accepted by existing customers.
Prices are restructured/reviewed to cater for customers/consumers of all income levels.	New products may be different/of a higher quality than those of competitors.

Advantages of intensive strategies

- Increase in sales/income/profitability due to a variety of advertising campaigns.
- Regular sales to existing customers may increase.
- Gain customer loyalty through effective promotion campaigns.
- Improved service delivery may positively impact/increase sales.
- Eliminate competitors and dominate market prices.
- Decrease in price could influence customers to buy more products.
- Businesses can 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.

1.4.3 Types of Diversification strategies

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/expand its product range and markets.
- The business creates a new product that is technologically similar to existing/current products that are aimed at new customers/consumers/markets.
- Occurs when a business uses existing infrastructure/ organisational resources/expertise to create products with some degree of similarity but with clear differentiation from existing/current products.

Horizontal diversification

- The business adds new products or services that are unrelated/ different to existing products, but which may appeal to existing/current customers.
- Occurs when a business acquires or merges with a business that is at the same production stage but may offer a different product.
- The business extends the production of products/ services above/beyond the market/industry in which it currently operates.
- Occurs when the business increases its development potential/extends its brand and significantly reduces risk as the new products are aimed at existing customers/ consumers.

Conglomerate diversification

- The business adds new products or services that are unrelated to existing products which may appeal to new groups of customers.
- Conglomerate diversification means that a business grows into new products/services and markets.
- Occurs when the business operates multiple product lines/ business entities for entirely different industries/consumers/ customers.
- Occurs when the business can increase overall product/ service flexibility/proficiency by extending activities to unexplored/untapped/unfamiliar markets.

Advantages of diversification strategies

- Increase sales/revenue/income and business growth.
- Improves the business brand/image awareness of the business.
- Reduces the risk of relying only on one product for sales /revenue/income.
- Businesses gain more technological capabilities through product modification
- Sustained profitability from different product lines during times of fluctuating economic activities.
- Businesses produce more output using less inputs as one factory may be used to manufacture more products.
- Enables businesses to retain their competitive advantage by meeting the needs of current/new customers/expanding into new unexplored markets.
- Allow businesses to remain relevant/functional/operational in a dynamic business environment.
- Enable businesses to establish additional markets in unrelated markets/ industries.

Types of defensive strategies

Divestiture

- Disposing/selling some assets/divisions that are no longer profitable/ productive.
- Selling off divisions/product lines with slow growth potential.
- Decreasing the number of shareholder by selling ownership.
- Paying off the debts by selling unproductive assets.
- Withdrawing/Divesting their investment share in another business.

Retrenchment

- Terminating the employment contracts of employees for operational/letting go of employees for operational reasons/to reduce cost/expenses.
- Decreasing the number of product lines/closing certain departments may result in some workers becoming redundant.

Liquidation

- The business sells all assets to pay creditors due to a lack of capital/the inability to repay creditors/bankruptcy.
- Selling the entire business in order to pay shareholders a fair price for their shares.
- Allowing creditors to apply for forced liquidation in order to have their claims settled.
- Companies in financial distress/difficulty may appeal for business rescue to avoid liquidation.

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

Steps in evaluating a strategy

- Examine the underlying basis of a business strategy.
- Look forward and backward into the implementation process.
- Compare the expected performance with the actual performance
- 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 as envisaged when strategies were implemented.
- Consider the impact of the strategic implementation in the internal and external environments of the business.

NOTE: The steps can be in any order