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TERM 1

CHAPTER 1

NOTES ON MICRO ENVIRONMENT

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Define/Explain the meaning of the micro environment
- Outline/Describe/Explain/Discuss the various components of the micro (internal business environment.
- Identify a vision, mission statement, goals and objectives from given scenarios.
- Formulate/Evaluate a vision, mission statement, goals and objectives of any business.
- Explain, Discuss the purpose of the organisational culture
- Outline/name/identify/Explain the organisational resources from given statements/scenarios.
- Describe the purpose/importance of a business organisational structure with specific reference to an organogram.
- Explain the differences between leadership and management.
- Briefly explain the purpose of the eight business functions
- Outline/Describe/Explain/Explain the importance of the eight business functions.

BUSINESS ENVIRONMENTS (refer to the 2021 exam guideline pages 9-11)

1 Micro environment/Internal environment

Meaning of micro environment/Internal environment

- It is the environment within which a business operates and consists of the business itself.
- It is the decision-making environment because management make decisions that help the business achieve its goals.
- It can also be referred to as the immediate environment in which a business operates and includes all the internal factors of the business.

2 Components/Features/ Elements of the Micro environment

The components of the micro environment include the following:

- Vision
- Mission
- Objectives
- Goals, strategy
- Organisational resources
- Leadership and management
- Business function
- Organisational structure
- Organisational culture.

2.1 Explanation of the components/features/elements of the micro-environment

Vision

- Refers to a statement that explains what a business aims to achieve.
- Answer to the question: 'where are we going from here?'
- Sets out where the business needs to go to be successful
- The dream of the business and what it wants to achieve in future.
- Gives businesses a clear idea of what they want to achieve.
- The inspiring statement about what a business wants the future to look like.
- Explains what a business aims to achieve taking into consideration its purpose.
- Example 'To provide job opportunities for the local community

Mission statement

- A statement that explains the reason for the business existence.
- Enables businesses to develop strategies to achieve their vision.
- The answer to the question such as what businesses do to make a profit?
- Explains what the business does to achieve it vision.
- Gives clear direction on how the business intend to achieve its vision.
- Describes the purpose and basic activities of the business.
- Example 'To become a word-class communication company

Goals

- Can be defined as long term objectives of what the business want to achieve.
- Goals break down the business objective into specific and measurable parts. Example Increase profit margin by 50% in 2020.
- Goals give the business a sense of direction.

Objectives

- Short- term tasks/steps to reach goals.
- Contain a deadline for achievement.
- Explains how the goals of the business will be reached.
- Explains targets and strategies that will help the business fulfil its mission.
- The purpose of the business, for example, a business may have a primary objective of making a profit and a secondary objective of social upliftment.

Strategy

- The strategy outlines how the business will achieve its vision in line with its mission statement and objectives.
- It is a plan of action taken by Top management to achieve their vision.

2.2 Purpose of the organisational culture

- It influences people's actions and attitudes.
- The culture determines how things are done.
- It is the "personality" of the business.
- Shared understanding of how things are done in a business.
- Every business has a culture that is influenced by everyone who is part of it.
- It is based on three key issues: values, beliefs and purposes e.g. dress code/office décor/employee behaviour etc.
- Influences the way people in the organisation interact with each other and with stakeholders.

2.2.1 Examples of the business culture

- Personality/ ethos of the business
- Norms, values and expectations.
- Business code of conduct
- Floor plan of the business.
- The working environment of the business.
- Respect for other employees' values.
- The way managers are addressed

2.3 Organisational resources

- These are assets that the business uses to produce goods/services and to achieve its goals.
- The following four groups of resources are controlled by management:

Physical resources/operating resources	Financial resources	Human resources (People)	Information & Technological resources
• Natural resources • (raw material) • Machinery • Vehicles • Buildings • Infrastructure • Assets from nature such as water, minerals and wood	• Capital • Own Capital • Cash • Bank over drafts • Short and medium term loans • Money invested in the business to acquire production goods such as land, building and machinery	• Employees • Contractors	• Technology, the use of computers • Research • Production technology

2.3.1 Explanation of types of organisational resources

Human resource

- People with knowledge and skills such as employees/consultants/managers etc.
- The people needed to perform the work and keep the organisation functioning.
- People who contribute towards achieving the goals of the business.

Natural resources

- Assets from nature that are used to offer services and products, such as minerals, water and wood.

Physical resources

- Include raw materials/office furniture/equipment/machinery/plant necessary to operate the business successfully.

Financial/Capital resources

- Money invested in the business to acquire production goods such as land, buildings and machinery.
- Can be in the form of cash/bank overdrafts/short and medium term loan

.

Technological resources

- Resources that include computers/voice mail/emails/production technology that gives the business an advantage over its competitors.

Entrepreneurial resources

- The person responsible for combining the factors of production in such a way that the business will make a profit

2.4 Importance of business organisational structure

- It shows who report to whom and which department fall under which managers.
- The structure show the flow of instruction and feedback in the business.
- Every business must be organised into a structure that show each person's task, the level of authority and responsibility.
- It is the hierarchy that shows the position of management, the departments and its employees.

2.5 Differences between leadership and management

MANAGEMENT	LEADERSHIP
Managers ensures that tasks given to subordinates are completed	Leaders inspires other people
Task orientated	People orientated
Uses Instructional approach	Uses motivational approach
Managers hold a managerial position in the business	A leader does not hold a managerial position
Management is the process of achieving business goals	Leadership is the process of inspiring and influencing other to achieve business goals
Guides human behaviour	Influences human behaviour
Communicates through management functions, e.g. line function.	Communicates by means of interaction/behaviour/vision/values/ charisma.
A person becomes a manager because he/she is appointed in the position	Leaders are born with natural/ instinctive leadership skills
Manage by planning/organising/leading and controlling	Lead by example/trust/respect

2.6 Business functions

- General management
- Administration function
- Financial function
- Purchasing function
- Public Relations function
- Human resources function
- Production function
- Marketing function

2.6.1 The purpose of the eight business functions

- The eight business functions work together to achieve the business goal.
- Each function carries out specific tasks which are closely linked in order to achieve the same goal.
- Roles and tasks may change depending on the size/type/stage of growth of the business.
- Business functions work together to ensure that the survival and sustainability of the business.

2.6.2 Importance of business functions

(a) General management

- Sets the overall direction or strategy for the business.
- This function leads, organises and controls all the other functions.
- There are also decisions taken in each level.
- Management has three different levels, each with its own roles and responsibilities.
- Ensures that there is co-ordination among the seven different functions of the business.

BUSINESS OPERATIONS (Refer to the 2021 exam guidelines pages 16-20)

1 MANAGEMENT

Levels of management

- Levels of management means the degree of power and authority that managers possess. The following three levels of management are explained in detail:

Top management

- Reports to a board of directors/advisory board.
- Takes long term strategic decisions.
- Responsible for directing, controlling and managing risks.
- Determines the vision/mission/objectives/strategy of the business.
- Act of getting people together to accomplish certain goals.
- Oversees the activities of the other functions so that the business can achieve its objectives.

Middle management

- Responsible for specific departments within the business.
- Takes medium term tactical decisions.
- Responsible for achieving the goals and objectives set for the specific department.
- Concerned with implementing plans made by top level management.
- Implements the vision and plans of the top management.
- Responsible for working with managers in other departments and for acquiring resources needed in their departments.

Lower management

- Responsible for a high level of productivity, technical assistance and motivating employees.
- Takes short term routine/operational decisions.
- Carry out instructions given by middle management
- They are also called first management level as it is the first management level to which subordinates can be promoted.

Levels of management and the type of decisions taken by each.

Level of management	Type of decision	Examples	Roles
Top management	Make long- term strategic decisions. (Policy which will have long-term outcomes/ Consequences)	CEOs, directors, Owner of sole trader, partners in partnership	-Plan the future of the business. -Manage change in the business environment. -Plan the activities of the business. -Gives direction to the vision, mission, goals and objectives.
Middle management	Make medium-term tactical decisions. (Procedure)	Departmental managers. e.g. marketing manager. financial manager etc.	-Controls the people and processes in the business. -It is the link between top management and lower level management. -Pass information from top management to lower management -Focuses on how the business will carry out the strategic decisions -Acquire resources needed in their department
Lower level management	Make short-term operational decisions.	Foreman, supervisor, team leaders.	-Carry out routine activities. -Plan the daily activities -Set individual objectives for workers working under him/her. -Offer feedback and suggestions to middle management. -Implement the objectives of the middle management. -They motivate and guide workers.

NOTE: You must be able to identify the levels of management from given statements and scenarios

Management Tasks

- There are five basic management tasks which include the following:
  - Planning
  - Organising
  - Leadership
  - Controlling
  - Risk management
- The above mentioned management tasks should be carried out at different levels of the business.
- These tasks are carried out to ensure that the vision, mission and goals of the business are met.

Planning

- The process of setting goals and developing strategies.
- It includes getting all the information you need for planning.
- Top management formulates strategic plans.
- Middle management formulates tactical plans.
- Lower management formulates operational plans
- Analysing the information and set long term goals.
- Considering different plans to achieve the goals.

- Choosing the best plan and decide on the action to be taken.
- Management looks ahead at the future to determine business objectives.
- Planning is done in all departments by all employees with the objectives of the company in mind.
- Process of setting goals and making plans to achieve these goals.
- Deciding on the backup plan to use if the chosen plan becomes impossible.
- Implementing the chosen plan.
- Follow up to make sure the plan is successful, adjust it or change to the backup plan.

Organising
- It is the mechanism used to execute the plan.
- Involves breaking a plan into action.
- The way in which people are grouped together.
- May also include training to ensure that the jobs are carried out successfully.
- Ensures successful execution of the plan by using relevant organisational structure.
- It looks at what needs to be done and organizing resources to achieve goals and objectives.
- Organising the jobs within specific functions or departments.
- People must understand what is expected from them in terms of tasks/authority/ responsibility etc.
- Employees must know the organisational procedures for instructions and feedback and which resources they can use.

Leading/Directing/Activating
- The process of leading is to guide, motivate and inspire others to achieve goals.
- Refers to inspiring employees to carry out their task to the best of their abilities.
- Establishing a productive working climate.
- Motivating employees to achieve the set goals.
- Guiding employees in the right direction so that the business can achieve its goals.
- Activating workers to use their skills and resources to their best ability.
- Providing employees with directions on how things should be done.
- Respecting and treating employees so that they work willingly to achieve the business goals.
- Leaders set up proper communication channels so that the workers are always informed and there is clear transfer of information.

Controlling
- Ensures that the business achieve its goals.
- Ensures that standards are met
- Ensures activities are carried out as planned.
- Enables the business to take corrective measures if the objectives are not achieved.
- Risk can be identified during control.
- Involves comparing actual results with goals set by management
- Corrective measures must be taken if there is a difference between actual results and the goals the business set out to achieve.
- Continuous control ensures that the business runs smoothly. .

Risk Management
- Identifies possible risk by finding risk-bearing activities (i.e. activities which could go wrong) within the organisation.
- Assists businesses to in analyse each possible risk to assess how likely it is that the risk will happen.
- Evaluates the potential impact of risk in terms of financial liability.
- Controls/Monitors the risk by studying reports and trends in the environment so that measures can be taken to prevent it from happening.
- Handles the risk by determining what actions to take should the event happen using available resources and contingency plan and communication with stakeholders.

2 ORGANISATIONAL STRUCTURES

2.1 Factors influence the organisation structure
- The size of the company
- Technology
- Resources
- Strategic goals of the company.

2.2 Types of organisational structures

Functional structure
- Employees get instructions from more than one manager
- The plan to be carried out determines who will be giving instructions
- This structure confuses employees as they report to more than one manager.

Project structure
- This is structured around project teams
- It is a temporary structure because employees are drawn from different departments
- Employees are then grouped together to form a project team which will carry out a particular project.

Matrix structure
- This structure is structured around projects but employees stay in their departments.
- A project must be completed up to a certain point
- The project is then passed on to the next team, which will carry out the next phase of the project.

Line structure
- Employees report to only one person
- Only the Director can give instructions to employees
- This structure eliminates confusion among employees as they report to one person only

Line and staff structure
- Experts act as advisors to top and middle management.
- Advisors don’t form part of the business, they merely give advice
- Advisors don’t have authority over the employees, which means they can’t give any instruction to employees.

3 ADMINISTRATION FUNCTION

3.1 Meaning of the administration function

- Handling of information and data.
- Administration is responsible for collecting, processing and distributing information which is used for decision making by management.
- Stores/Records information by using recent technology.
- Making general office work such as filing and storing of information.

3.2 Activities of the administration function

Collection of information

- Information is collected from both outside and inside the business
- Correct and reliable information should be available for meaningful decision making and to run the business successfully.

Handling of information

- It is important for the administrative staff to handle information correctly to avoid making wrong decisions based on wrong information.
- The administration function is responsible for dealing with the following types of information:
  - Accounting Records-can be used to draw up financial statements and reports. Keep an up-to date all business transactions
  - Cost Accounting- determines whether the product can be sold at a competitive price considering the manufacturing or production costs
  - Budgets- a plan of estimated expenses and income for a specific period
  - Statistics-the collected and classified numerical data

Information Technology

- IT is the use of electronic equipment to assist with various administrative tasks.
- Technology is used to both communicate and handle information and referred to as ICT (information and communication technology).

Office Practice

- Office practice refers to how the administrative staff should handle their duties
- It covers matters such as the dress code for employees/ proper filing of documents/ telephone etiquette/internet usage by staff etc.

The differences between data and information

DATA	INFORMATION
Refers to raw/unprocessed facts found in statistics/ graphs/ tables.	Refers to processed/analysed data that gives specific knowledge to managers to make decisions
Data can be collected from other business functions within the business.	Information can be stored manually in files/boxes/shelves/computers etc.
Data needs to be processed before it can be used as information.	It is important to have a backup for all stored information on computers or other electronic devices in case they are damaged
Data can be processed manually or using technology such as computers	Most businesses use electronic devices such as memory sticks and CDs to store information

NOTE: The action verb "Differentiate/Distinguish" means that the difference/ distinction does not have to link but they must be clear.

(4) Financial Function

4.1 Meaning of the financial function

- Financial function is responsible for planning and managing all the funds and assets of the business.

4.2 Purpose of the financial function

- The financial function determines how much capital the business needs.
- Establishes the sources for acquiring the capital.
- Decides how to invest/allocate the capital funds in the business
- Ensures that the business can generate enough income to cover the cost of raising capital
- Prepare financial statements to present to the bank/investors to convince them that the business is financially healthy

4.3 Reasons why businesses may need finance

- Businesses need to find the best investments
- Businesses need to source funding.
- Audit and control the spending of the finances
- Plan so that finances are spent in the most efficient way.
- Allocates the necessary funds to the different department.

4.4 Sources of financing

Bank loans

- This is money borrowed from the bank and will be repaid over a period of time.
- The money is repaid with interest.
- The entrepreneur who borrowed the money will attach his/her fixed asset as surety to the value of the loan.
- Bank loans are usually used for long-term financing.

Bank overdraft

- It is a short term loan added onto the account of the entrepreneur. It is also repaid with interest over a set period of time.

Asset-based loan

- The money lent to successful businesses that want to expand further.
- The loan is used to purchase an asset and that asset belongs to the lender until it is fully paid off.
- If the money is not paid back, then the lender will take that asset.

Grants

- This is money provided by government to small businesses that are developing.
- The money does not have to be paid back if it benefits the community**.**
- The government want to see small developing businesses benefiting the community and the environment in some way.

Receivable finance

- This is a loan provided to businesses while waiting for payment of the goods / service provided to avoid a cash flow shortage.
- The loan is equal to the outstanding invoices that are due.

Angel funding

- This is money offered by wealthy entrepreneurs to other businesses for a share in that business.
- This is usually used at the start of a business and carries a high risk for the investor.

Venture Capital

- This is money offered by individuals or organisations to start up or expand the business.
- This is done in exchange of a share in the business.
- The investor usually requires a management position or to be a board member in the business

  NOTE: You must be able to identify the sources of financing from given scenarios.

4.5 Budgeting

- It is a planning tool to estimate the money that will be received (income) and how it will be used. (expenditure)
- Once the budget is drawn, it should be compared to the actual income and expenditure.
- Assists businesses to keep track of its finances and ensure better profitability.
- Each department within the business should have its own budget.

Types of budgets

Capital budget	• It estimates the fixed capital • It is drawn up every five to ten years and revised annually. • It plans the purchasing, upgrading and changing of the fixed assets such as building, machinery, equipment etc.
Cash budget	• It estimates the working capital • It is drawn up at the end of the financial year for the start of the new year and revised monthly • It assesses whether the business will be able to purchase all the needs for its operation.

4.6 Investments

- Businesses invest some money from its profit to generate wealth and income.
- Invested money increases without labour effort (passive income).
- Businesses can choose to invest in financial institutions, government bonds or public companies.
- Investments options that are available include property investment/ unit trust investments/ Government Retail Saving bonds/fixed deposits etc.

4.7 Types of capital

Fixed capital

- Money pays fixed assets, e.g. land and buildings etc.
- Finance long term capital needs of the business.
- Examples: capital market, selling shares, mortgage bonds etc.

Working capital/operating capital

- Money pays for day to day activity, e.g. trading stock, raw materials, etc.
- Finance the short term capital of the business.
- Examples: money market, credit allowed by suppliers, short terms loans etc.

Own capital

- It is money provided by the owners of the business. It could come from their own savings or the sale of their assets or investors e.g. personal savings and venture capital

Borrowed capital

- It is money borrowed from financial institutions like banks or a person. The money should be paid back with interest**.** E.g. bank loan, bank overdraft

4.8 Differences between a fixed and working capital

FIXED CAPITAL	WORKING CAPITAL
- Money pays fixed assets, e.g. land and buildings etc.	- Money pays for day to day activity, e.g. trading stock, raw materials, etc.
- Finance long term capital needs of the business.	- Finance the short term capital of the business
- Examples: capital market, selling shares, mortgage bonds etc.	- Examples: money market, credit allowed by suppliers, short terms loans etc.

4.9 Differences between owned and borrowed capital

OWNED CAPITAL	BORROWED CAPITAL
- Owner provides capital	- Obtained from financial institutions
- Permanent capital as company is not under obligation to repay the amount.	- Temporary capital as it is to be repaid after a fixed period.
- It is not a liability for a business.	- It is a liability for a company.
- Return on capital .is on profits.	- Return on capital is paid in the form of interest.

5 PURCHASING FUNCTION

5.1 Meaning of the purchasing Function

- The purchasing function plays an important role in buying quality raw materials and services for the business
- It should continuously look for suitable, new and better suppliers
- It should place orders with suppliers and follow up on them to ensure that the ordered products are delivered on time.
- It ensures that ordered goods are delivered at the agreed price, right quantities and right quality.

5.2 Purpose of the purchasing function

- Manage stock to ensure sufficient levels of stock to carry out business operations.
- Continuously looking for the best/reputable suppliers.
- Make regular contact with other business departments to determine their needs.
- Send damaged goods back to the supplier and see to it that it is replaced.
- Receive confirmation that all goods were according to specifications and the price invoiced as the quoted price.
- Negotiate the best possible term of payment with suppliers.

5.3 Activities of the purchasing function

- Purchasers should have expert knowledge of the product they need to buy and about the market in which they operate.
- Find out the needs of other business departments
- Look for suitable, new and better suppliers.
- Ensure that there is enough stock available for continuous production and sales.
- Place orders with suppliers and follow up on them.
- Ensure that ordered products are delivered on time.
- Send damaged products back to the suppliers and see to it that they are replaced.
- Buy the right amount of stock/quantity so that the business does not run out of stock.
- Buy goods from the best supplier, who supply the goods at the right time and place
- Get the best price for the quality that the purchasing function requires
- Keep the correct stock levels on hand
- Record the cost price and selling price of stock

5.4 Purchasing procedure

Determine the need for the product/Requisition

- Liaise with the financial department to establish the budget for the purchasing of goods and services.
- Determine the product/material/ resource needs of the business.
- Find the right quality/ quantity of goods and services at the right price and at the right time.

Determine the price of the product

- Find the best price by obtaining quotes/tenders or making enquiries.

Select/Choose a suitable supplier

- The purchasing department should choose reliable suppliers for its raw materials/products.
- Evaluation criteria based on quality of raw material/prices/delivery time, should be used to select the best suitable supplier.
- The purchasing department should conduct a thorough investigation about potential suppliers /their reputation and reliability.

Place an order

- The purchasing function should place an order in writing so that goods delivered can be compared with the order.
- Confirm the prices of the products on order to avoid unexpected surprises when payments are made.

Collect or receive the order

- The purchasing department should ensure that the right orders are received and recorded.
- The quality and quantity of stock received should be checked against the order.
- The purchasing department should keep a copy of the delivery note for records keeping purposes.

Pay the supplier

- Purchasing department instructs the financial department to pay the supplier after delivery of the order.
- The supplier must provide copies of the requisition form to the purchasing department.
- Purchasing department must provide a delivery note to the financial department.
- The supplier sends the invoice to the financial department for final payment after satisfactory delivery.

Distribute stock

- The purchasing department should ensure proper distribution of stock/raw materials to all relevant departments.
- Distribution of stock should be in line with pre-requisite orders from each department to avoid stock loss.

Complete the order

- Ensure that all the correct documentation is in place and filed for future reference.

5.5 Differences between cash and credit purchasing

CASH PAYMENT	CREDIT PAYMENT
• Cash payment refers to all payments made by cash/ cheque for business purchases	• Credit payment refers to all payments made by means of credit cards/on future date for business purchases.
• Cash payment enable businesses to budget for stock purchases and avoid unnecessary delays	• Credit payment allows businesses to buy stock and pay on a future date. .
• Cash payers can qualify for cash discounts.	• The credit payer can pay more for goods due to interest added on credit purchases.

5.6 Advantages of credit purchasing

- There is no discrimination based on age/ race/ religion on granting credit.
- If interest rates decrease consumers will have more cash to pay off debts.
- Consumers will be having disposable income to purchase products if interest rates are low.
- Low income consumers can buy products on an affordable re-payment as per credit agreement.
- Consumers can access more than one credit from different creditors if the creditor made a personal assessment and is satisfied with the credit evaluation.
- Credit goods bought by the consumer have extended warrantee per the credit agreement.
- If any of the goods/products is damaged it can be easily repairable or replaced.

AND/OR

Disadvantages of Credit Purchasing

- There is always the risk of unsettled debts.
- Accounts should be send out to debtors.
- There will be less money to invest for consumers
- The credit provider can refuse credit based on credit risk evaluation.
- A consumers' income and expenses can be declared reckless and can be suspended if a credit agreement is not adhered to.
- Consumers will have less money to spend so they would not buy as much
- The consumer pays more than the original price due to high interest rates on credit purchases.

5.7 Importance of stock

- Enables businesses to determine the amount/value of stock.
- Businesses can check the cost and selling price of products
- Ensure that there is enough stock to meet the normal demand of customers.
- Keep the correct levels of stock on hand.
- Record the cost price and selling price of stock.
- Identify theft in the business when physical stock count is compared with the electronic stock control system.

5.8 National Credit Act/NCA and Consumer Protection Act/CPA

5.8.1 Definition of the NCA

- The NCA was introduced to provide both credit providers and credit applicants with clear guidelines regarding their rights and responsibilities.
- This Acts applies to all businesses that sell on credit.

5.8.2 Purpose of the NCA

- Promotes the development of a credit market that is accessible to all South Africans
- Encourage responsible buying
- Avoidance of over-indebtedness and fulfilment of credit providers and consumers
- Address and correct imbalances in negotiating power between consumers and credit providers
- Discourage reckless credit granting by credit providers
- Educate consumers on making the right choice when applying for credit
- It gives guidelines within which the different kinds of credit transactions must take place in South Africa

5.8.3 Consumer rights outlined in the NCA

Consumers have a right to…

- apply for credit.
- information in one's official language.
- be protected against unfair discrimination in granting credit.
- be given reasons why an application for credit is refused.
- be informed about the interest rate and any other costs of the proposed credit transaction.
- receive a copy of a credit contract and a replacement copy when the consumer asks for one.
- apply for debt counselling if a customer has too much debt.

5.8.4 Responsibilities of credit providers

- Credit providers should conduct a credit assessment on the consumers' affordability.
- Check the most recent pay slip or bank statement to ensure the consumer has an income.
- Check the consumer's monthly debt-repayment obligations in terms of credit agreements.
- Take into account other expenses of the consumers.
- Consider the consumer's debt-repayment history

5.8.5 Remedies of the NCA

The Consumer Tribunal

- The Consumer Tribunal is responsible for reviewing decisions made by the National Credit Regulator (NCR), the National Consumer Commission (NCC).

National Consumer Commission

- The National Consumer Commission is responsible for promoting compliance with the NCA and CPA through advocacy and enforcement.
- Protects the economic welfare of consumers.

Ombudsman

An ombudsman is an independent person with authority and responsibility to receive/investigate/formally address complaints from consumers.

5.8.6 The impact of the National Credit Act on businesses

Positives/Advantages

- Lower bad debts resulting in better cash flow.
- Protects business against non-paying consumers.
- Increases cash sales as credit can only be granted to qualifying customers.
- Prevents reckless lending by financial institutions.
- Ensures that businesses settle their debts on time so that they can obtain good credit scores.
- Ensures that credit process is transparent e.g. both businesses and customers know their responsibilities.

AND/OR

Negatives/Disadvantages

- Businesses are forced to budget to keep more cash/have enough cash on hand for stock purchases**.**
- Businesses can no longer take the risk of selling poor quality goods at high prices.
- Businesses can no longer carry out credit marketing.
- Leads to loss of sales as many businesses may no longer qualify to buy on credit.
- Businesses can only buy limited stock as credit is not available resulting loss of customers.
- The Act complicates the purchasing process due to too much administration work in the credit providing process.
- The purchasing department must know the terms and conditions of credit granting and the National Credit Act.
- It may take longer to purchase goods and this could influence the overall efficiency of the business.
- The Act compels businesses to sell quality products or businesses may be forced to reimburse the consumer.

5.9 The Consumer Protection Act/CPA

5.9.1 Definition

- The consumer Protection Act was introduced to prevent consumers from exploitation.by businesses.
- This Acts ensures the full participation of previously disadvantaged individuals in the economy.
- It applies to all businesses which sell goods and services to consumers.

5.9.2 Purpose of the Consumer Protection Act

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

5.9.3 The impact of Consumer Protection Act on businesses

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

6 PUPLIC RELATIONS

6.1 Meaning of the public relations

- The public relations is responsible for keeping all stakeholders of the business happy.
- It ensures that there is good communication between the business and all its stakeholders

6.2 Importance of public relations

- Businesses get publicity for promotional events and information through media.
- News conferences may be called to release information which will ensure the survival of the business.
- Employees may volunteer to spend time with people in need at orphanage/hospitals/schools etc.
- Businesses can sponsor community events.
- Produce annual reports that review business activities and achievements.

- Brochures can be used to distribute information.
- Networking is a popular form of public relations, direct contact with employees or telephonic communication.
- Attend network events and talk about the business product.
- Use corporate social responsibility as a public relations activity involving communities to get positive exposure.

6.3 Differences between external and internal public relations

EXTERNAL PUBLIC RELATIONS	INTERNAL PUBLIC RELATIONS
-Creates a good company image and awareness to those outside of the company.	-Creates a good company image and awareness to employees in the company.

6.4 Methods of public relations

Media
- Businesses get publicity for promotional events and information through media.
- Includes advertising and the distribution of information about the business

Direct contact
- Information about the business is passed on to the members of the public who have dealt with the business previously.
- Direct contact with employees or telephonic communication is a popular form of public relations.

Brochures
- Excellent way of distributing information in a cost effective way.

Exhibitions
- The business is introduced to the public and meet existing customers in shopping centres

Social responsibility
- The business uplifts the community as the community support the business by buying their product.

Transit advertising
- Advertising on vehicles such as taxis, busses, vans etc.

Use of the telephone
- A potential customer phones the business to enquire about something, the person answering the phone is perceived as the business.
- If the potential customer is pleased with information that was required, then that person can be an important customer

7 Production Function.
- Ensures that enough production takes place to meet the demand.
- Produce quality products.
- Buys quality raw materials
- Ensures the safety of all factory workers by adhering to all safety procedures and regulations.
- Selects a suitable production system for its product
- Performing quality control through regular inspections of products.
- Maintain the equipment to avoid breakages and waste of production time.

8 Marketing Function

Meaning of the marketing function

- The marketing function is responsible for identifying the customer's need.
- Locates the customer and transport the products
- Provides suitable storage for the products
- Ensures that the produced product is sold.

9 Human resource function

Meaning of the human resources function

- The human resources is responsible for finding the correct qualified employees
- Ensures that a fair selection procedure is conducted.
- Ensures staff are trained and remunerated

10 The relationship between the business functions

- The eight business functions depend on each other and are interrelated.
- These functions work together as a team for the business to be successful
- The general management is directly linked to all seven business functions
- The financial and administration functions are responsible for gathering, storing and processing information and financial records.
- The purchasing, production and marketing functions are responsible for the delivery of goods.
- The purchasing function buys raw material for the production function to process raw material into finished goods.
- The marketing function sells the product which the production function has produced
- The marketing function promote the product while public relations function promotes the business and ensures that there is a good relationship between the business and the public.
- All the staff with the right skill and qualifications are appointed by the human resources function.

CHAPTER 2

THE CONCEPT OF QUALITY

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Define the meaning of quality, quality control and quality assurance.
- Explain/Distinguish/Tabulate the difference between quality control and quality assurance.
- Discuss/Explain the importance of quality for businesses.
- Explain how quality relates to the following business functions:
  - Human Resources function
  - Administration function
  - Financial function
  - General management
- Outline/Suggest quality indicators of the business function.
- Discuss the correlation between management and the success of the business.
- Identify the strength and weakness of a business from given scenarios/case studies.
- Evaluate the strength and weakness of a business and make recommendations for improvement.

1 Meaning of quality

- Quality is the ability to satisfy customer/consumer needs.
- It refers to the features/characteristics of a product/service that meets customer's requirements.
- It refers to products and services that satisfy needs and exceeds customer expectations on a continuous basis.
- Includes learning from mistakes and continuously improving all aspects of the business.
- It is a degree of excellence to which a product/service satisfies the required needs of customers.

2 Meaning of quality control

- Inspection of the final product to ensure that it meets the required standards.
- Includes setting targets/measuring performance and taking corrective measures.

3 Meaning of quality assurance

- Carried out during and after the production process to ensure required standards have been met at every stage of the process.
- Ensure that every process is aimed at getting the product right first time and prevent mistakes from happening again.

4 Differences between quality control and quality assurance

QUALITY CONTROL	QUALITY ASSURANCE
Inspection of the final product to ensure that it meets the required standards.	Carried out during and after the production process to ensure required standards have been met at every stage of the process
Includes setting targets/measuring performance and taking corrective measures.	Ensure that every process is aimed at getting the product right first time and prevent mistakes from happening again.

5 QUALITY IN PRODUCTS

Methods used to indicate quality include the following:

- Trademarks: special signs, marks or names used by manufacturers
- Samples: a small portion of product given to consumers to test quality
- Grades: agricultural products are classified according to quality
- Commercial Standards: the SABS approves commercial standards of products.

6 QUALITY INDICATORS OF BUSINESS FUNCTIONS

6.1 Quality indicators of the HUMAN RESOURCES FUNCTION

- Low rate of staff turnover in the business
- Maintain a healthy relationship between employees and employer
- Provide good working conditions
- Motivate and reward employees
- Makes sure there is a good recruitment policy that attracts best candidates.
- Ensures fair and equitable selection process
- Fair remuneration packages that is aligned to the industry.
- Offer performance incentives for staff to enhance productivity.
- Good relationship with employees.
- Ensure that employee understand the goals and objectives of the business
- Understand the interrelatedness of different departments

6.2 Quality indicators of the ADMINISTRATION FUNCTION

- Use modern technology efficiently.
- All systems and processes are documented
- Easy to recall/find information/document
- Handle complaints quickly and effectively
- Fast and reliable data capturing and processing systems.
- Make relevant information available for quick decision-making.
- All documentation is kept neatly and orderly in a safe place.
- Financial documents are kept up to date and recorded accurately.

6.3 FINANCIAL FUNCTION

- Ensuring a healthy cash flow through ensuring payments are made on time.
- Effective management of cash by cash budgeting.
- Financial records to be kept up to date.
- Accountability through tight financial processes.
- Negotiate better interest rates in order to keep financial cost down.
- Draw up accurate financial statements timeously/regularly.
- Invest surplus funds to create sources of passive income

6.4 Quality indicators of the GENERAL MANAGEMENT FUNCTION

- Develop/Implement/Monitor effective strategic plans.
- Set direction and establish priorities for their business.
- Effectively communicate shared vision, mission and values.
- Ensure that all departments/the business meet their deadlines/targets
- Learn about/understand changes in the business environment on an on-going basis.
- Be prepared to set an example of the behaviour that is expected from employees in terms of ethics as well as productivity.

6.5 Quality indicators of the PRODUCTION FUNCTION

- Utilise machines and equipment optimally.
- Accurately calculate the production costs.
- Select the appropriate production system e.g. mass/batch/jobbing.
- Provide high quality services/products according to specifications.
- Products must meet customers' requirements by being safe, reliable and durable. Businesses should have good after-sales services and warrantees.
- Empower workers so that they can take pride in their workmanship.
- Monitor processes and find the root causes of production problems.
- Implement quality control systems to ensure that quality building products are consistently being produced.

6.6 Quality indicators of the MARKETING FUNCTION

- Increasing their market share.
- Winning customers by satisfying their needs/wants.
- Differentiating products in order to attract more customers.
- Constantly reviewing value issues.
- Communicating effectively with customers to get feedback about their experience of products sold/services rendered.
- Using pricing techniques to ensure a competitive advantage.
- Using aggressive advertising campaigns to sustain/increase the market share

6.7 Quality indicators of the PUBLIC RELATIONS FUNCTION

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

6.8 Quality indicators of the PURCHASING FUNCTION

- Buy raw materials in bulk at lower prices.
- Select reliable suppliers that render the best quality raw materials/capital goods at reasonable prices.
- Place orders timeously and regular follow-ups to ensure that goods are delivered on time.
- Required quantities should be delivered at the right time and place.
- Implement and maintain stock control systems to ensure the security of stock.
- Maintain optimum stock levels to avoid overstocking/reduce out-dated stock.
- Monitor and report on minimum stock levels to avoid stock-outs.
- Ensure that there is no break in production due to stock shortages.

7 Importance of quality in promoting the image of the business

- It enables businesses to have a good reputation and promotes brand awareness.
- Customers associate image of the business with quality of the product.
- Quality products increase sales, profits, business growth and attracts prospective investors.
- Businesses gain goodwill and support from the community.

8 The correlation between management and the success of business in achieving its objectives, strengths, and weaknesses.

- Management plays an important role in making the correct decisions and motivating employees to be productive.
- Poor management can result in ineffective employees and loss in productivity.
- Businesses require ongoing decision making and problem solving.
- Problems that cannot be solved and decisions that are not made appropriately can lead to a decrease in productivity.

CHAPTER 3

THE MARKET ENVIRONMENT

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:
- Explain/Define the meaning of the market environment.
- Outline/Describe/Explain/Discuss the components of the market environment
- Identify the components of the market environment from given scenarios, statements/ case studies/cartoons/pictures and motivate your answer.
- Explain/Outline/ Give examples of other organisations/civil society.
- Explain the reason why NGOs and CBOs form part of the market environment
- Explain the meaning of opportunities and threats in a business context and give practical examples of each.
- Identify opportunities and threats from given scenarios/ case studies and statements
- Conduct a research on opportunities and threats faced by businesses and make recommendations for improvement

1 The meaning of the Market Environment
- Challenges and influences outside the business.
- Businesses have little or no control over the environment.
- All elements that determine the reasons for the existence of a business.
- Includes all forces/stakeholders that have a direct effect on the functioning of the business.

2 Components/Features/Elements of the market environment
- Suppliers
- The market (Customers/Consumers)
- Competitors
- Intermediaries
- Civil society

2.1 Suppliers
- Suppliers are individuals/agents who provide the raw materials, transport and other services to the business.
- The business needs inputs from suppliers to produce goods and services.
- Suppliers play an important role in the success or failure of a business e.g. consumers will purchase the product/services from another business if a supplier is unable to supply a particular product/services.
- Businesses usually choose suppliers that provide the best quality of goods, correct quantity and deliver goods at the agreed upon times and at the best price.
- Producers and manufacturers are some examples of suppliers as they supply raw materials.

2.2 The market (Customers/Customers)

- The market refers to all the people who have money to buy goods and services.
- These people are known as consumers or customers.
- Customers are the buyers of products and services offered by businesses.
- Their spending decision is influenced by cultural, social, personal and psychological factors.
- Businesses should understand their customers' needs and wants in order to build a good relationship with them.
- The more customers the business have the more money they have flowing through the business.
- The government is also a customer as it buys goods/services from businesses through contracts and tenders.

2.3 Competitors

- Competitors are all businesses that provide similar products or services for more or less the same target market.
- Businesses also compete with other businesses for skilled employees/raw material/equipment/finance etc.
- Competition also comes from businesses that produce possible substitute goods.
- Competition is influenced by the following Porter's Five Forces model:
  - Threat/obstacles of new entrants to the market
  - Power of suppliers
  - Power of consumers/buyers
  - Threats of substitute products/services
  - Competitive rivalry/Power of competitors
- Competition is beneficial to customers because it keeps prices down.
- Competition also promotes innovation and encourages businesses to be more productive.

2.4 Intermediaries/Agents

- The intermediaries of a business are all those businesses that play a role in distributing/promoting the goods and services to customers.
- They bridge the gap between the manufacturer and the consumer.
- They serve as a link between the micro environment and the market environment.
- Intermediaries make it easier for the consumer to access the product, by selling the product closer to the consumer's location.
- Intermediaries often affect the final price of goods and services as they place a mark-up on the product before they sell it to consumers.
- Many intermediaries/Agents receive a commission on the sale of products.
- Some of the examples of intermediaries are:
  - Retailers, agents and wholesalers
  - Financial institutions and insurance brokers.

2.5 Civil society/Other organisations

- Civil society are those organisations that deal with social problems.
- These organisations include non-government organisations (NGO's)/ community based organisations (CBO's), unions/regulators/strategic allies etc.
- A CBO could affect the operation of a business through lobbying.

2.5.1 Non-government organisations (NGO's)

- NGOs are non-profit organisations that do not operate under the control of the government.
- They are established to fulfil important needs in the community by addressing some socio-economic issues.
- NGO's high ethical and moral standards.

2.5.2 Community based organisations (CBO's)

- CBO's have been established to assist the community in job creation/ socio-economic development and becoming self-sufficient.
- They are local organisations that operate in the community.
- They focus on socio-economic issues such as:
  - HIV/Aids
  - Unemployment
  - Crime
  - Illiteracy
  - Substance abuse
- CBOs often rely on donations from businesses/private persons for funding.

2.5.3 Unions

- The trade union movement in South Africa is the largest union on the continent.
- They are concerned about the wellbeing of their members in the work environment.
- They deal with issues such as working conditions/fair pay structures/unfair treatment and dismissal/fringe benefit etc.
- The trade union is not part of the business but influences it in a direct way e.g. negotiations for changes to conditions of services such as hours of work and wages can affect the price of products and profitability.

2.5.4 Regulators

- Regulators are organisations that set rules and requirements for the operation of businesses in that industry.
- The government is known as the regulator as it uses laws to control business practice.
- Regulators remove any bad business practice from the market
- Regulators draw up rules that impact directly on what businesses may and may not do.
- Some of the examples of regulators in South Africa are the:
  - National Energy Regulator of South Africa (NERSA) which regulates electricity/piped gas/petroleum pipeline industries etc.
  - National Credit Regulator (NCR) which regulates the supply of loans/credit by credit providers such as banks and retailers such as clothing and furniture.
  - Independent Communications Authority of South Africa (ICASA), which regulates the South African communications, broadcasting and postal services sectors.
  - Advertising Standards Authority (ASA) regulates advertising in the public interest.

2.5.5 Strategic alliance

- The concept “alliance” refers to two or more businesses that work together in joint venture.
- Business form strategic alliances to obtain expertise from one another either for survival or to become more competitive in the market.

3 Reasons why NGO’s and CBO’s form part of the market environment.

- They employ workers and supply consumer goods and services.
- They fulfil important needs of the community.
- They are concerned with the welfare of others.

4 The meaning of opportunities and threats in a business context

- There is a lot of competition between businesses as mentioned above.
- Management sees competition as an opportunity and a threat.

4.1 Opportunity

- Opportunity takes place when consumers are made aware of the product if it is marketed by different businesses.
- Opportunities will always be available when consumers need to satisfy their needs.

4.2 Threats

- A threat exists if a business is unable to produce/perform as desired because of reasons outside the business such as competition/legislation/global economic trends.

Examples of opportunities and threats

OPPORTUNITIES	THREATS
• Expansion of product lines to serve a broader range of customers. • Entering into new markets • Decline in interest rates • New law which increases consumer minimum wages and salaries • Increase in investor in the business • Increase in production due to increase in demand	• New competitors entering the market with a lower prices. • New legislation which could limit business transactions. • Changing buyer needs and tastes • Slower market growth. • Increase in interest rates • Less investment in the business

CHAPTER 4

MACRO ENVIRONMENT AND INTERRELATIONSHIP BETWEEN BUSINESS ENVIRONMENTS

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Define/Explain the meaning of the macro environment
- Briefly explain why the macro environment can be a challenge to businesses.
- Define/Give practical example of each component/feature of the macro environment.
- Briefly explain the reason why each component/feature poses a challenge to businesses.
- Identify the components of the macro environment from given scenarios/ case studies, statements/ cartoons/ pictures
- Conduct a research on the impact of the macro environment on businesses (enrichment)
- Explain/Describe the link/relationship between the features/components of the macro-environment.
- Explain the reasons why competition poses a challenge to businesses.
- Explain the interrelation between micro (internal) and market environments.
- Give examples of the relationship between the business with consumer, suppliers, intermediaries and competitors.
- Explain/Discuss the relationship between micro, market and macro environments

1 Macro environment/External environment

Meaning of the macro environment/External environment

- The macro-environment includes all the forces/events and circumstances that affects the business and its market environment.
- This is the environment that is located outside the business.
- The business cannot control this environment but it can influence it.
- It is also known as the external environment
- The macro environment is always developing and changing
- Businesses have no control over this environment as it poses challenges to businesses.

2 Features the macro environment

- Physical/Natural environment
- Economic environment
- Social, cultural and demographic environment
- Technological environment
- Legal environment and political environment
- International /Global environment
- Institutional environment

3 Reasons why the macro environment can be a challenge to businesses

- The macro environment is always developing and changing.
- Management in businesses have no control over the macro environment.

4 Description of the features of the macro-environment, challenges and strategies to deal with each feature of the macro-environment

Features	Description	Challenges to businesses	Strategies to deal with challenges of the each feature of the macro-environment
Physical/Natural environment	• These are forces that are present in the natural environment such as the natural resources/pollution/ increased cost of energy/ infrastructure. • Businesses that use raw material to transform them into useful products such as clothing and electricity need nature for their survival.	• The physical location of a business has a large effect on the success of the business. • Manufacturing businesses dump their waste materials that impact negatively on the physical environment. • The awareness of pollution and environmental damage provide new challenges for businesses. • Some natural resources are scarce and expensive e.g. sources of energy are expensive. • The scarcity of natural resources has a negative impact on the production costs and results in high prices of goods and services.	• Businesses need to operate closer to their target market. • Businesses must ensure that their waste material does not pollute the environment. • Businesses should take care of the physical environment and the resources in a responsible way through recycling. • Use of alternative energy resources such as solar energy, wind power and raw material.
Economic Environment	• The economic environment includes all those factors that affect financial matters e.g. interest rates/inflation/business cycle etc. • Interest rates are the charges people and businesses pay for the cost of borrowing money. • Inflation refers to the general increase in the prices of goods and services in the economy.	• Economic changes affect business, if the rand becomes weaker, businesses are more likely to be able to export product successfully. • If interest rates increase, it means the business will pay more monthly instalments to the bank for the loan taken. • A high inflation will mean that consumers will have less money to spend on goods/services. • If taxation goes up, businesses will be charged more on their profit, and people will have less money to spend on buying goods and services. • If exchange rates influence trade international trade as it becomes expensive to buy raw materials and machinery from overseas.	• Businesses should produce proudly South African products in order to reduce dependency on foreign products. • Borrow money from the bank when the rates of interest are low. • Businesses should reduce the profit margin instead of increasing prices of goods and services. • Businesses have to take note of the economic factors that affect consumer spending patterns.

Social, cultural and demographic environment	• The social environment involves people. • The cultural and social environment can be defined as the sum total of the languages /values/cultural norms/preferences/religions and beliefs. • The demographic environment refers to the composition of a country's inhabitants e.g. their age/residential areas/skill level/income level etc.	• Social issues such as poverty, HIV/Aids, unemployment, low levels of literacy and crime can affect consumers' spending, the productivity of the employees and the profitability of the business. • Social and cultural diversity have the potential to create conflict in the workplace. • Employees from different cultural backgrounds may have different cultural norms/preferences/beliefs etc. • South Africa has a large number of people who are poorly educated and unskilled. This means that businesses may have few customers.	• Businesses should align the marketing and advertising campaigns to social behaviour and trends of its society e.g. change in gender, age ratios and family structures. • Marketing campaigns need to be sensitive to different religions. • Businesses must be aware of the trends and changes in the social environment • Habits and values change over time and businesses must be aware of these trends to satisfy its target market. • Businesses should be able to deal effectively with diversity in the workplace. • Businesses must offer learnership programmes and entrepreneurialship skills/programme.
Technological environment	• These factors include the development of new technological products and services. • The rise of information technology such computers and communication technology allows for a rapid flow of large amounts of digital information/ ICT.	• Many businesses may not be able to succeed without internet connectivity. • The availability of online shopping decreased the demand for some products from conventional street stores and service businesses. • IT systems can be hacked by fraudsters.	• Businesses should be aware of new technology that their competitors are developing and using. • They need to be competent in Information Technology/IT and keep up to date with new trends. • Businesses should be aware of new developments and be willing to implement new technology. • They should ensure that that their IT systems are secure from computer fraud or hackers.

Legal environment and political environment	• The legal component of the macro- environment consists of the legislation that has been passed. • The government plays a large role in the development of policies and legal frameworks. • The legal system through the courts, has power to oversee: employment, tax, trade mark rights, patent rights, intellectual property. • Government employs a large number of consumers.	• An unstable government and poor relationship between the government and the business creates a negative political environment. • Some political decisions such as government levies, tax, interest rates and inflation influence businesses. • Changes in government salaries can have an impact on the spending patterns of consumers. • Businesses are affected by legislation such as the National Credit Act, Consumer Protection Act, Employment Equity Act, Basic Conditions of Employment Act etc.	• A good relationship between a stable government and business creates a positive political environment. • Businesses that are affected by government policies should influence the government through lobbying. • Businesses must comply with the recent legislation that affects their operations.
International /Global environment	• Globalisation refers to an increase in trade and investment between countries.	• Globalisation result in increased competition from businesses around the world which sell their goods to South Africa. • Businesses are expected to understand the cultures of foreign people.	• Businesses should produce goods to export so that they can increase their foreign income. • Businesses have to learn foreign cultures and language.
Institutional environment	• This refers to the three spheres of government e.g. local, provincial and national government.	• The provincial government has an indirect impact on businesses through its role in providing services such as health, housing and education.	• Businesses need to form partnership with the government by financing some government projects/programme.

5 INTER-RELATIONSHIP OF MICRO, MARKET AND MACRO ENVIRONMENTS

MICRO ENVIRONMENT	MARKET ENVIRONMENT	MACRO ENVIRONMENT
• Businesses need managers to develop their vision, mission and objectives. • The business vision and goals will also influence the business culture and its organisational structure.	• Consumer interact with suppliers to satisfy their needs • Intermediaries influence suppliers because the more they sell, the more the suppliers will have to supply.	• Many business start by importing and exporting their goods/services. Then expand their businesses by globalisation.
• The financial function must ensure that sufficient funds are available to finance other business functions	• Competitors interact with consumers to attract them by offering cost savings and better services.	• Demographics influence the society and communities.
• The marketing function must identify consumer needs and advise the production function on products that need to be produced.	• Competitors and regulators interact to investigate monopoly and foreign investments. • Regulators put regulations and laws in place to ensure that there is fair competition and free trade. • Many NGOs and CBPs interact with suppliers to assist them in their projects.	• Government ensures that proper laws are in place to protect the physical environment. • A change in the weather patterns can influence the availability of natural resources and raw materials. • The institutional environment affects the economic environment e.g. if the quality of education is poor, people may not have the skills to either work for a business or start their own businesses.

6 Reasons why competition poses a challenge to businesses

- Competition keeps prices down and reduces the business profitability.
- It forces businesses to find new ways to produce an existing products or develop new products/ services.
- A business may close down if it is unable to compete with other businesses.
- Competition reduces the business market share and its target market.

7 Interrelationship between the micro and market environment

- The business environments are related to each other as they cannot operate in isolation.
- The business does not have a purpose without the market environment.

7.1 Business and consumers

- Consumers are people who are willing and able to pay for the business products/services.
- The business needs to market/advertise its goods and services to ensure that there is a demand for them.
- The business needs to carry out market research to determine the appropriate type of goods and services and the best price for them.
- The public relations department should ensure that the business has a good image and that its consumers remain loyal.

7.2 Business and suppliers

- Suppliers provide raw materials, inputs, equipment and business services that a business needs to produce its products.
- The business needs to ensure that is using the best supplier to get the best quality for the best price.
- Businesses need to communicate with suppliers about the latest developments in the technology and products
- They need to ensure that the suppliers have enough stock to meet consumer's demand.
- Business need to pay their suppliers, as they are also customers.

7.3 Business and intermediaries

- Intermediaries help businesses to distribute and sell goods to customers.
- Businesses need to maintain a good relationship with the intermediaries.
- Business sells its goods and services to the intermediaries.
- Intermediaries help the business to access consumers and they influence its sales.
- Businesses need to find the best transport and communication companies at the best prices to transport and market their product.
- Intermediaries need to be reliable and responsible, as they affect the quality, services and price of the goods and services.

7.4 Business and competitors

- Competitors are businesses that produce the same product/services for the same target market**.**
- The business needs to be aware of its competitors' products and prices.
- Businesses must ensure that they keep abreast of the latest trends.
- Competitors influence the prices and quality of the products.
- Businesses are in constant competition and need to keep up-to date with advertising and marketing trends.
- Entrepreneurs need to be creative in turning the challenge of the competitors into positive changes for their companies.

8 The relationship between micro, market and macro environments

- A change in the macro environment may cause a change in the micro environment which may in turn, create a change in the market environment e.g. an increase in the rate of interest may lead to an increase in the production cost which may reduce consumer spending.
- A change in the economic environment may lead to a change in the technological environment and the way in which people spend money.
- The legal, political and institutional environment has a large impact on other business environments e.g. politics and laws affect the economic environment.
- The business has full control over all elements/features of the micro environment.
- The business has less/little control over the market environment but it can influence it.
- The business has no control over the macro environment but it must develop strategies to adapt to the challenges that are posed

CHAPTER 5

NOTES ON BUSINESS SECTORS

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Define/Explain the meaning of the primary, secondary and tertiary sectors.
- Give example of each sector.
- Explain/ Discuss/describe the relationship between the sectors.
- Make a collage showing the relationship between the primary, secondary and tertiary sectors.
- Define/Explain the meaning of the formal and informal sectors. Give practical examples of each.
- Conduct a research on the importance of the formal and informal sector.
- Explain/ Tabulate/Distinguish/ Differentiate between the formal and informal sectors.
- Define/Explain the meaning of the public and private sector.
- Explain the main purpose of the public and private sectors.
- Explain/Differentiate/Tabulate/Distinguish between the public and private sectors.

1. Meaning of the primary, secondary and tertiary sectors.

1.1 Meaning of the primary sector

- The primary sector is the first stage in the production process.
- This sector deals with the extraction of raw materials from nature.
- The primary sector is involved in collecting resources direct from nature.
- These raw materials are then supplied to other businesses for further processing.

Examples of the primary sector:

- Farming, which produces agricultural products such as cattle and wheat.
- Forestry, which supplies wood for building/ furniture
- Fishing from the sea/lakes and rivers
- Mining, which extracts minerals such as coal and gold from the earth
- Packaging of the above raw materials.

1.2 Meaning of the secondary sector

- The secondary sector is responsible for converting/processing/ manufacturing of raw materials into final products.
- It is the link between the primary sector where raw materials are extracted from nature.
- Deals with distribution/transportation/ retailing/services to other businesses or consumers.
- It includes the manufacturing factories, construction and energy generation

Examples of the secondary sector

- Motor industry
- Furniture industry
- Textile industry

1.3 The tertiary sector

- This sector distributes goods processed in the secondary sector to consumers.
- The tertiary sector aims to bring products and services within reach of the consumer.
- Tertiary activities include all activities that distribute products from the secondary sector.
- The industries that offer services to consumers and other businesses.

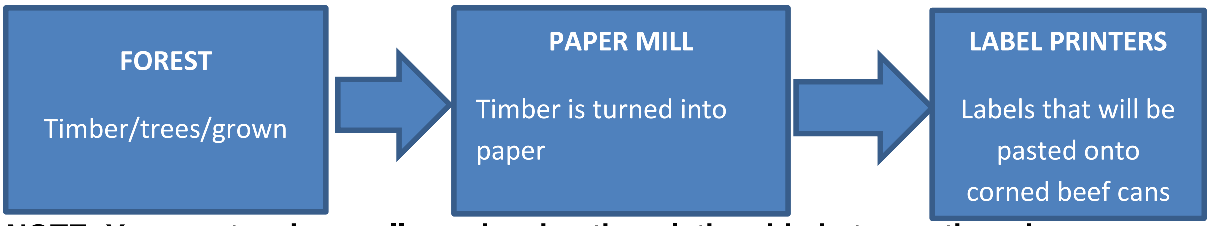
Examples of the tertiary sector

- Food industry
- Clothing industry
- Banking, insurance
- Tourism, transportation
- Entertainment, retail and legal services.
- Examples shops, transport companies, electricians, doctors, consultants, hotels and schools.

1.4 The relationship between the primary, secondary and tertiary sectors

- The primary sector depends on the secondary sector for manufactured goods such as machinery/equipment/fertilisers e.g. a farmer may require seeds from another farm
- The primary sector is dependent on the tertiary sector for its customer needs.
- The secondary sector processes the raw materials obtained from the primary sector into more useful products.
- The secondary sector depends on the primary sector for raw materials and products.
- The secondary sector depends on other secondary industries e.g. BMW needs tyre from DUNLOP another secondary sector player
- Secondary sector needs the tertiary sector to sell their processed or manufactured goods and also for services such as banks, insurance, transport and communication
- The tertiary sector depends on the primary sector for raw materials that do not need processing by the secondary sector.
- The tertiary sector depends on the secondary sector for manufactured goods such as office machines/office furniture/stationery etc.

Example of the relationship/link between primary, secondary and tertiary sector



NOTE: You must make a collage showing the relationship between the primary, secondary and tertiary sectors

2 Formal and informal sectors

2.1 Meaning of the formal sector

- Formal sector refers to businesses that are registered and pays tax.
- The formal sector within the mainstream of the economy
- This sector includes small, medium and large businesses.
- Employees are protected in many ways such as Unemployment funds, disability and injured on duty of industry
- They are controlled by laws and regulations of the government
- Keep accounting records and audit their books.
- It is capital intensive as it involves using machinery/equipment etc.
- They operate under an acknowledged form of ownership such as partnerships, close corporation, companies and sole proprietors

The importance of the formal sector

- They supply legal products
- Products supplied by the formal sector are guaranteed, which means that faulty goods can be returned.
- They employ many people with different skills and qualifications.

2.2 Meaning of informal sector

- Informal sector refers to businesses that are not registered and does not pay tax.
- This sector includes activities by people who are unable to find jobs.
- Fall outside the mainstream economy
- It is labour intensive as it does not require a huge capital outlay for establishment.
- Employees are not protected and they can be exploited.
- Not monitored by government
- Not added into the Gross Domestic Product (GDP) figures.
- Examples of informal businesses include street vendors, spaza shops, hairdressers, flea markets, day care for children, general handyman services.

The importance of the informal sector

- Provides jobs/ income to communities thereby alleviate poverty.
- People working in the informal sector gain work experience to be used for the formal sector.
- Encourages entrepreneurship as self-employment.
- Provides opportunity for marginalised /disadvantaged people by encouraging street trade.
- Serves as buffer between employment and unemployment.

2.3 Differences between formal and informal sectors

FORMAL SECTOR	INFORMAL SECTOR
• Industries in this sector are legally registered.	• This sector is not legally registered
• Fall between the mainstream of the economy	• Fall outside the mainstream economy (also known as the second or marginalised economy)
• It is registered and pays tax.	• It is not registered and does not pay tax.
• Made up of small, medium and large businesses	• Small scale operations
• Employees are protected as they receive unemployment funds, disability funds, injured on duty funds	• Employees are not protected and can be exploited
• They are controlled by the laws and regulations of the government.	• They are not tracked by any form of government.
• Higher capital is required in this sector.	• Low capital needed for operation.
• Output can be measured into the country's GDP	• Estimates should be made to measure contribution into the country's GDP.
• Usually more labour intensive	• Usually more skill intensive.
• Usually include manufacturing, banking, insurance and large retail companies.	• Usually include street vendors, spaza shops, hairdressers and other home based activities.
• Employees have a steady income	• Employees' income is inconsistent
• Not easy to enter this sector as businesses had to be legally registered	• Easy to enter the sector as there are no legal formalities needed.
• Higher capital is required in this sector	• Low capital needed for operation

3 The public and private sector

3.1 Meaning of the public sector

- Public sector is state owned/state run or parastatals
- Aimed at meeting the needs of society
- Non-profit organisations are categorized under the public sector
- Businesses in this sector are partly or wholly funded by tax money
- The motive is not to make profit but offer a service.

Purpose of the public sector

- The public sector includes those industries that are controlled by the government.
- Offers affordable services that the private sector offers.
- Aims to meet the needs of society.
- Public sector businesses do not aim to make profit.
- Provides people with job opportunities.
- Improves the general standard of living of all people.
- Controls pollution and protects/conserves natural resources such as water, wildlife and precious stones.
- Ensures that wealth of the country is spread equally among the rich and the poor.
- Offers valuable services such as public roads/ public hospitals/public schools etc.

3.2 Meaning of a private sector

- Privately owned by entrepreneurs
- Aimed at meeting both the need and wants of the society
- Profit-driven businesses
- Owners provide own funds or loans to run their businesses.
- Examples include businesses owned privately as sole traders, partnerships or companies with a profit motive.
- The businesses are focused to meet the demand of consumers.
- Businesses in this sector that do not operate to make profit are NGOs (non-government organisations) and NPOs (non-profit organisations).
- Some services from the public sector are repeated in this sector, such as education, healthcare and housing, and could be of better quality that the government service.

Purpose of the private sector

- Creates job opportunities for different types of skills.
- Provides businesses with the opportunity to create wealth.
- Offers more competitive salaries than the public sector.
- Offers more variety of goods and services than the public sector.
- Offers opportunities for employees to be part of more innovative projects with cutting-edge infrastructure.

3.3 The differences between the public and private sectors

PUBLIC SECTOR	PRIVATE SECTOR
• Aim is to meet the needs of the society	• Aim is to meet both the need and wants of the society.
• State owned/state run or parastatals which are operated by private company.	• Privately owned by entrepreneurs
• Partly or wholly funded by tax money	• Owners raise capital to fund their businesses
• Motive is to provide a service	• Motive is to make a profit
• State ownership	• Owned by different forms of ownership.
• State owned businesses report to government	• Businesses in this sector do not report to government but owners.
• Government monitors and oversees their performance	• Owners oversees their performance

TERM 2

CHAPTER 6

CONTEMPORARY SOCIO-ECONOMIC ISSUES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Explain the meaning of socio-economic issues and the reason why they pose a challenge to businesses.
- Define/Give the meaning of inequality and poverty.
- Explain/Discuss/Describe the impact of inequality and poverty on businesses.
- Define the term “inclusivity” and explain the purpose of inclusivity in the workplace.
- Evaluate the negative impact of HIV/Aids on businesses.
- Outline the different types of gambling and explain their impact on businesses
- Define/Elaborate on the meaning of piracy
- Discuss the impact of piracy on businesses.
- Recommend solutions to piracy, e.g. copyright, patent and trademarks.
- Explain the meaning of counterfeiting /bootlegging/strikes /political disturbance & crime
- Explain/Discuss the impact of the above-mentioned socio-economic issues on businesses.
- Identify socio-economic issues from given scenario/statements. Support your answer by quoting from the scenario.
- Explain the impact of socio-economic issues identified in scenarios/statements on businesses.

1.1 Meaning of socio-economic issues

- Socio-economic issues are challenges that affect people and the economy in a negative way.
- They are problems that come from social/people and economic/money circumstances.

1.2 Reason why they pose a challenge to businesses

- Socio-economic issues affect consumer spending due to poverty and unemployment.
- These issues place extra burdens and expenditure on businesses as they have to develop policies/support systems/ informative programs to address them.
- Businesses are expected to create as many job opportunities as possible to assist government address these issues which places a financial burden on them.
- They must also educate employees on social issues and how to become involved in the community to address these social issues.

1.3 Types of socio-economic issues

- Inequality and poverty
- Inclusivity
- HIV/Aids
- Gambling
- Piracy
- Counterfeiting
- Bootlegging
- Strikes /political disturbance
- Crime

2 Inequality and poverty

2.1 Meaning of inequality

- Inequality is the degree to which people do not have the same opportunities and are treated differently because of their social status.
- It means that people are not equal e.g. some have lots of money/access to education, while others are desperately poor.

2.2 Meaning of poverty

- Poverty is the state in which people have little or no money to buy their basic needs.
- People in poverty usually have poor living conditions, hunger and increased susceptibility to disease.

2.3 Impact of inequality and poverty on businesses

- People cannot participate fully in the economy.
- Businesses spend more money on social responsibility programmes to address inequality and poverty.
- Poverty shrink the market because people cannot afford to buy luxuries.
- Poverty lead to crime such as shoplifting and robberies on businesses.
- Increased violence as groups scramble for better status and social positions.
- Businesses spend money on improving security due to robberies and shoplifting.
- More money is spent on relieving poverty through their social responsibility programmes.
- Inequality results in lack of skills and job opportunities.

3 Inclusivity

3.1 Meaning of inclusivity

- Inclusivity means giving everyone opportunities without discriminating based on age, race, gender, sexual orientation, disabilities/HIV status etc.
- Inclusivity means valuing the differences between people and consciously encouraging diversity in the workplace.

3.2 Purpose of inclusivity in the workplace

- Inclusivity enables businesses to make the best use of all human resources.
- Promotes equal opportunity for every employee to obtain skills that will lead to promotion and career path.
- Promotes respect for each person and their contributions in the workplace.
- Promotes healthy/happy working environments, which in turn increase job satisfaction and productivity.
- Increase tolerance of each other's ideas and beliefs.
- Increase communication in the workplace so that business goals/objectives are achieved.
- Businesses are able to use a variety of talents and skills.
- Inclusivity increases education and training resulting to a decrease in poverty.
- Increases the number of middle-class people participating in the economy.

4 HIV/Aids

4.1 Meaning of HIV/Aids

- Aids is a disease caused by a virus called HIV.
- When HIV gets into a person's body, it attacks the immune system / lowering the body's natural ability to fight infections.

4.2 Negative impact of HIV/Aids on businesses

- Loss of skilled staff due to HIV related illnesses.
- Profits will be lower as production decreases.
- High absenteeism from illness resulting to a decrease in productivity.
- Conflict can arise among staff if they discover that a worker is HIV positive.
- Businesses find it difficult to keep up production levels and to meet deadlines because of poor staff morale.
- Businesses face increased costs of finding/recruiting/training replacements.
- The pool of available skilled workers is getting smaller due to the high rate of HIV infection.
- The costs of finding replacement employees and recruiting are high.
- Business need to invest money in programmes to educate the workers regarding AIDS.
- Decrease in the number of consumers cause a drop in the demand for goods and services.
- Costs such as insurance/retirement funds/health/safety are higher as a result of HIV for the business.
- Businesses face increased costs of paying benefits like housing subsidies, medical care, funeral care and pension funds.
- Staff morale might be low as they are concerned about their health thus lowering productivity.

5 Gambling

5.1 Meaning of gambling

- Gambling means to bet on something of which the outcome is not sure.
- It can take on form of playing games in the hope that some money could be won.
- Although gambling is legal, it gives false hope.

5.2 Types of gambling

- Pyramid schemes
- Money laundering
- Card games
- Casino
- National lottery
- Scratch cards
- Slot machines
- Horse betting
- Fafi/ Mochina
- Unofficial lottery type schemes
- Bingo halls
- Unlicensed casino's
- Internet gambling, as it is sometimes linked to organised crime· animal fighting.
- Unlicensed operations offering gambling to the public.

5.3 Impact of gambling on businesses

- Employees may not work overtime at short notice.
- High rate of employee absenteeism.
- Local businesses forced out of business.
- Gambling hides criminal activities and can lead to workplace violence.
- Compulsive gamblers cannot focus on work while preoccupied with gambling.
- Compulsive gambling puts a strain on relationships in the workplace.
- Addicted employees could also steal to get money for gambling.
- Reduces productivity as it encourages crime and corruption.
- When gamblers lose their money, they have less to spend on goods and services, which affects business negatively.
- Decrease in savings leads to a decrease in future production.
- Less buying power as people may lose their money on pyramid schemes, casino gambling etc.

6 Piracy

6.1 Meaning of piracy

- Piracy refers to the illegal copying of original music/films/books/patent rights/trade marks without the rightful owner’s permission.
- It can involve physical copies/electronics copies that are downloaded illegally from the internet.
- Pirated goods are unauthorised copies of copyright material such as DVDs or CDs.

6.2 Impact of piracy on businesses

- Consumers no longer value the worth and quality of genuine products sold by businesses
- The business image and reputation can be damaged by inferior counterfeit goods.
- The businesses producing the original goods have their profits reduced if piracy occurs.
- Piracy also deprives the original artist of his/ her or income.
- People who buy pirated copies contribute to the problem for businesses

6.3 Solutions to piracy

6.3.1 Copyright

- The owner of intellectual property has the right to produce and copy the intellectual property.
- Includes literacy/musical works/artistic works etc.

6.3.2 Patent

- Exclusive right to make use of or sell the invention or a product for a limited period of time.
- It is invention, someone who holds a patent has the sole right to produce and sell the invention.
- A discovery/scientific method/a literary etc.

6.3.3 Trade marks

- Registration of the use of a brand name/slogan/symbol or a combination to make a product or services recognisable and known.
- A unique mark that represents a business enterprise and which belongs to the business enterprise.
- Includes words/slogans/sign etc.

7 Counterfeiting

7.1 Meaning of counterfeiting

- Counterfeits goods are copies/imitations of genuine goods such as clothing/shoes that are marked with a fake logo/trade mark.
- They are products that are imitated and packed to resemble the original, high priced goods.

7.2 Impact of counterfeiting on businesses

- Counterfeits often result in price increases of original goods
- Consumers are often tempted to buy counterfeits because of the considerable price differences
- Counterfeits reduce the sales and profits of businesses
- Businesses lose money that could have been used for expansion and the creation of job opportunities
- Counterfeits reduce the sales and profits of businesses

8 Bootlegging

8.1 Meaning of bootlegging

- It is the recording of live/broadcast performance without the permission of the performers/songwriters/ record company which are copied and sold.
- An example of bootlegging is selling of illegal copied DVDs of latest movies on street corners.
- Criminals go to great extremes to record movies with hand held devices during a live cinema screening.

8.2 Impact of bootlegging on businesses

- Businesses lose out on profit.
- Businesses may experience decline in sales due to fake/imitated distribution of products.
- Businesses may be forced to implement price adjustment strategies to minimise the impact.
- Businesses expenses will increase if legal actions are taken.

9 Strikes

9.1 Meaning of strikes

- A strike/labour dispute is a collective refusal of employees to work because of an issue in the workplace, aimed at forcing the employer to give in to demands.
- It is a collective action taken by a group of unhappy employees to accept their demands.
- Strikes may take form of a go slow, lock outs and sympathy strikes.
- It is a dispute between the employer and employees when they cannot agree on wage increases/changes in working conditions, even after negotiations.

9.2 Impact of strikes on businesses

- This could make the business to be unable to meet its contractual obligation and the business losing contracts.
- The cost of making up all the working hours is too high.
- Strikes can be violent because strikers intimidate those employees who do not want to go on a strike
- Scares off potential investors.
- May results in losses of production as employees stay absent from work during strikes.
- Strike actions may lead to production losses and decline in sales.
- Businesses may be forced to close down operations after strike actions.
- May lead to unhealthy working relationships between the management and workers.
- May force businesses to retrench some of its skilled workers to recover from losses.

10 Political disturbance

10.1 Meaning of political disturbance

- It is a form of protest by a group of people showing their displeasure on lack of service delivery/proper housing/poor pay/poor work conditions/etc.
- Political disturbance reflects frustration on the part of communication who may not feel that they have an effective voice in formal political processes.
- It is when a group of people protest against a socio-economic problem and feel that the government is not doing enough to solve the issue.

10.2 Impact of political disturbance on businesses

- People in township/informal settlement areas may block roads preventing employed people from going to work due to service delivery protests.
- Scares off potential investors.
- Businesses may be forced to close especially those located in townships.
- May results in losses of production as employees stay absent from work during political disturbances.
- Many businesses suffer losses as a result of damage to property.
- Riots can result in increased unemployment if shopkeepers are forced to shut down.

11 Crime

11.1 Meaning of crime

- Any unlawful and harmful act related to loss of goods in a business due to burglaries/ robberies/theft/corruption/hijackings etc.
- Theft is the unlawful taking of someone else's property to make it your own.

11.2 Impact of crime on businesses

- Loss of staff and customers.
- Insurance/security costs become expensive.
- Loss of profits due to stolen goods from businesses.
- Business loose skilled people resulting in a decline in productivity.
- Increased medical expenses as workers are injured during the break-ins
- Businesses spent money on installing effective security measures e.g. alarms, burglar proofing.
- Loss of goods in a business can happen as a result of burglaries, shoplifting, customer theft and employee theft.

- Cost of damage to property increases as businesses pay higher insurance premiums to protect themselves.
- High rate of absenteeism due to affected employees having to go for trauma counselling
- Loss of essential equipment causing temporary closure of the business
- Employees can become involved in fraud, bribery and corruption.
- If there is an ensuing court case it can create negative publicity for the business.
- Smaller businesses often cannot afford insurance and have to replace the stolen goods themselves at greater loss.
- Lower profits affect the decision to expand and employ more people/pay higher wages.
- Crime causes increase in health costs of employees due to injuries or stress.
- Discourages foreign investment and reduces tourism which impacts negatively on business.
- Crime brings about unfair competition from stolen goods resold at a lower price.

CHAPTER 7

SOCIAL RESPONSIBILITY

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:
- Define the term "social responsibility" and give practical examples.
- Recommend/Suggest initiatives businesses can take to address socio-economic issues.
- Interview local businesses on the initiatives taken to address socio-economic issues.
- Evaluate the extent to which these initiatives have addressed the socio-economic issues.

1. Definition of social responsibility
- Social responsibility is when each person is responsible for the effects their behaviour and lifestyle has on the environment and others.
- It means that any person/group/organisation has a responsibility to act in a way that benefit society as a whole.
- Social responsibility also means getting actively involved in projects that can have a positive impact on society in a sustainable way.

2. Definition of corporate social responsibility/CSR
- It is the term used when a business takes responsibility for its impact on society and the environment.
- It is an ethical way of doing business in the interest of both the business and the wider community.
- Corporate social responsibility means that a business needs to be careful that all its actions protect the environment and improve the quality of life for the citizens of the country.
- The way businesses manage their resources/processes to impact positively on society.
- The environment consists of:
  - The air we breathe-this can be polluted by harmful smoke or other gases that are released into air.
  - Rivers and other natural water resources –which can be polluted by factories
- Businesses should avoid doing things that harm the environment and people.
- The goal of CSR is to have a positive impact on the environment/consumer/ employees/communities/stakeholders.

3. Initiatives business take to address socio-economic issues

3.1 Initiatives businesses can take to address inequality and poverty
- Provide bursaries for employees' children
- Offer learnerships for employees
- Develop employee's skills
- Invest in a young starter SME that can be a business competitor, buyer or supplier.
- Offer the best volunteering programs.
- Support poverty alleviation programmes that are offered by the government.
- Donate money/food parcels to local NGO's.

3.2 Initiatives businesses can take to address HIV/Aids

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

3.3 Initiatives businesses can take to address gambling

- Offer financial literacy education
- Businesses must make use of organisations such as Gamblers Anonymous and the National Council on Problem Gambling to help gamblers fight their addiction.

3.4 Initiatives businesses can take to address unemployment

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

3.5 Initiatives businesses can take to address poverty and inequality

- Invest in a young starter SME that can be a business competitor, buyer or supplier.
- Attract the best employees by being socially responsible and offering the best volunteering programs.
- Support poverty alleviation programmes that are offered by the government.
- Donate money/food parcels to local NGO's.
- Increase employment through economic growth.
- Introduce more training programmes and apprenticeship to develop skills.
- Encourage entrepreneurship through business training and mentoring entrepreneurs.
- Improve infrastructure and services in poor communities.

3.6 Initiatives businesses can take to address crime

- Offer employment
- Get involved in the local community on sustainable projects with community.
- Sponsor special sports programmes by providing finance (prize money) for special community events
- Adopt a school; by providing most of its needs.

3.7 Initiatives businesses can take to address violence

- Provide an employee assistance programme (EAP) to enable employees with personal problems to seek help.
- Provide counselling facilities / refer victims to private counsellors.

3.8 Other examples of corporate social responsibility initiatives

- Producing socially responsible goods and services
- Treating employees in a socially responsible way
- Ensuring production techniques are socially responsible
- Initiating community projects

CHAPTER 8

ENTREPRENEURIAL QUALITIES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:
- Define the meaning of an entrepreneur.
- Outline/Explain/Discuss the qualities of the entrepreneur.
- Identify the qualities of the entrepreneur from given case studies/scenarios/cartoons/ pictures
- Evaluate the qualities of the entrepreneur from given case studies/scenarios/cartoons/ pictures and make recommendations for improvement.
- Visit a local entrepreneur and evaluate him/her on the qualities of an entrepreneur.

1. Meaning of an entrepreneur
- An entrepreneur is a person who produces goods and services which he/she then sells in order to make money.
- An entrepreneur is a person with knowledge and the skills to combine and coordinate the factors of production in order to make a profit.
- It is an individual who organises, owns, manages and take the risks of a business.
- Individuals who identify new business opportunities by gathering resources to take advantage of the opportunities and start businesses.
- An entrepreneur is a person who recognises new business opportunities/invents new methods of production and successfully establishes new markets.

2 Qualities of an entrepreneur

Big dreamers with a clear vision	• Entrepreneurs have big dreams of realizing long-term rewards in the form of profits. • They strive to reach a sense of personal realization. • They set clear and specific goals. • They see possibilities and are creative to imagine achievement thereof. • They are action-oriented people who enjoy and strive for success in everything they do.
Confidence in one’s ability to succeed	• Entrepreneurs are self-confident and believe in their own abilities to succeed. • They recognise their skills and abilities and can visualise themselves succeeding with hard work and determination. • They recognise their areas of weaknesses and are not afraid ask for help from others in order to succeed.
Desire for responsibility	• Entrepreneurs find it hard to work for other people or to take instructions from managers as they like being in control. • They strive for autonomy and like to make their own decisions. • They prefer to be the creators of their own future. • They find it hard to work for other people or to take instructions from managers as they like being in control. • They strive for autonomy and like to make their own decisions. • They prefer to be the creators of their own future.

Willpower to overcome obstacles	• Entrepreneurs have the desire and willpower to solve problems and establish a successful business. • They are ambitious, set their goals and work to achieve them. • They set their own working schedules to achieve their goals. • They have the determination to keep going even when things are not working in their favour. • They redirect their energies into new ventures by refocusing if one business fails. • Their determination ensures success can be achieved.
Passion and ambition	• Entrepreneurs are driven by their passion and willingness to succeed in the things they believe in. • They are self-driven to achieve their goals. • They have a high level of enthusiasm and a willingness to learn from mistakes.
Risk taking	• Entrepreneurs take calculated risks as they weigh up the advantages and disadvantages before deciding. • They weigh risks carefully and once a decision made, have the courage to see it through. • They risk their own money when they start their business as they envisage to make a profit. • They are flexible in their decisions should they turn out to be wrong.
Perseverance	• Entrepreneurs keep on going even if things are difficult and the future looks bleak. • They do not give up easily and have an amazing ability to keep going. • They cannot be easily persuaded to change direction or do something else. • They are goal orientated and cannot tolerate failure. • Success is the only result acceptable to them and often become workaholics.
Exceptional organisation skills	• Entrepreneurs are good at combining the other three factors of production. • They can take charge of a situation and make the business work. • They can get things done by turning plans into action. • They have good planning and time management skills to put things in order. • They are good at imposing structure and creating order.
Management and leadership	• The entrepreneurs' management skills enable them to plan, lead, organise and control the activities of the people who work with them. • They are good leaders who can motivate and inspire others to do their best. • They are good communicators, skilled at resolving conflict and generating enthusiasm in others. • They know what they are not good at and get others to complement their strengths.

Flexibility/Ability to adapt quickly	• Able to adapt quickly to changing circumstances due to their openess to change. • They are willing to listen to other ideas and be able to admit when they are wrong. • They evolve and change with the times by updating their skills and knowledge on the latest technology or market trends. • They are always ready to see new business opportunities and ways to achieve it.
High motivation/energy levels	• Entrepreneurs are self-motivated • They have great physical stamina and commitment to work hard for long hours with demanding customers. • They have a high tolerance for stress involved in running one's own business and making difficult decisions. • They have emotional and personal strength to think clearly and deal with problems calmly.
High degree of commitment	• They are not afraid to make sacrifices to realise their dreams. • Once their goals have been set, they focus on it to the exclusion of all else. • They have high standards and cannot tolerate mediocrity. • They are committed to their business idea and work hard to achieve their goals

CHAPTER 9

FORMS OF OWNERSHIP

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Outline/Name the factors that must be considered when choosing a form of ownership.
- Explain the differences between profit and non-profit organisations/companies.
- Outline the forms of ownership and classify them into profit and non-profit organisation.
- Define the meaning of different forms of ownership.
- Explain/Discuss/Describe the characteristics/ advantages/disadvantages of each form of ownership.
- Distinguish/Tabulate/Differentiate/Compare different forms of ownership.
- Identify forms of ownership from given case studies/scenarios/cartoons/pictures
- Outline different types of co-operatives
- Explain/Discuss/Describe the advantages and disadvantages of co-operatives
- Select a best form of ownership and justify the reasons for selection.

TERMS AND DEFINITIONS

TERM	DEFINITION
Form of ownership	The legal position of the business and the way it is owned.
Continuity	Continue to exist even if a change of ownership takes place, e.g a member or shareholder dies or retires.
Surety	If a person or business accepts liability for the debt of another person or business.
Securities	Shares and bonds issued by a company.
Limited liability	Loses are limited to the amount that the owner invested in the
Unlimited liability	The owner's personal assets may be seized to pay for the debts of the business.
Memorandum of Incorporation (MOI)	The document that sets out the rights, responsibilities and duties of shareholders and directors. (Serves as a constitution of a company).
Sole Trader /Sole proprietor	A business is owned and controlled by one person who takes all the decisions, responsibility and profits from the business they run.
Partnership	An agreement between two or more parties that have agreed to finance and work together in the pursuit of common business goals.
Co-operative society	Autonomous association of persons united voluntarily to meet their common economic/social needs/aspirations through a jointly owned and democratically controlled enterprise.
Company	A company is a legal person who has capacity and powers to act on its own.
Profit Companies	A company incorporated for the purpose of financial gain for its shareholders.
Non-profit company	A non-profit company is an association incorporated not for gain.
Public company	A public company is a voluntary association of ONE or more persons, governed by the company Act 71 of 2008, incorporated in terms of the Memorandum of Incorporation.

Private company	A private company is a voluntary association of 1 or more persons.
Personal liability company	A personal liability company is a voluntary association of 1 or more persons.
State-Owned company	A state-owned company (SOC) is a legal entity that is created by the government in order to participate in commercial activities on its behalf.
Partnership Article	A document that contains exhaustive provisions with regards to the matters concerning the business and the partners.
Prospectus	Prospectus is a document inviting the public to buy securities/ shares.
Annual General Meeting (AGM)	A meeting held once a year where the shareholders receive a report stating how well the company has done.
Directors	People elected to the board of a company by the shareholders to represent the shareholders' interests.
Audit	Process where an organization's accounts are checked to make sure its financial operations are honest

1. Factors to be considered when choosing a form of ownership

- The size and nature of the business
- The way in which the business is controlled and managed/ Management
- Who bears the risk/ Risk bearing
- How capital is going to be raised
- How profits and losses will be dealt with/ Sharing of Profit
- Who is responsible for any debts made by the business/ Liability
- Tax implications for profits earned by the business
- The life span of the business/ Continuity
- The vulnerability of the business in terms of lawsuits/ Legal person

2. Differences between profit and non-profit companies

Profit making Companies	Non-Profit-making Companies
• The company is established for only one aim and that is to make profit. • A company incorporated for financial gain for its shareholders. • The Memorandum of Incorporation sets out who the directors and shareholders are as well as their rights, duties responsibilities. • It also sets out the number of shares that the company is authorised to issue.	• The company is established for charity purposes or to promote social and cultural activities • A non-profit company is an association incorporated not for gain. • The Memorandum of Incorporation defines the purpose and its operations • The company have an independent legal entity, but the board of trustee is protected unless found negligent or fraudulent.

3. Forms of ownership

- Sole trader
- Partnership
- Close Corporation (CC)
- Personal liability Company (INC)
- Private company (Pty Ltd)
- Public company (Ltd)
- State Owned Company (SOC)
- Non- Profit Company (NPO)
- Co-operative

4. Classification of forms of ownership according to profit and non-profit companies

Forms of ownership: Companies	Classification according to profit & non-profit companies
• Private Companies: to be reflected as Proprietary Limited or (Pty) Ltd • Personal Liability Companies: to be reflected as Incorporated or Inc • Public Companies: to be reflected as Limited or Ltd • State-owned Companies: to be reflected as SOC Ltd	Profit companies
• Non-Profit Companies to be reflected as NPC	Non-Profit companies

5. Characteristics/Advantages and Disadvantages of different forms of ownership

5.1 Sole trader/Proprietor

Definition

- A sole trader is a business that is owned and managed by one person.
- The business owner handles everything including the activities of the business, its processes and decisions.
- It is most suitable for service businesses such as a doctor/hairdresser/electrician etc.

Characteristics of a sole proprietor

- Owner can sell the business to anyone at any time.
- There are no legal requirements regarding the name of the business
- It is easy to establish as there are no legal formalities in forming the business.
- Sole traders are not compelled by law to audit financial statements
- The owner has a personal interest in the management and the services that is rendered.
- The owner has unlimited liability/The owner is personally liable for the debt of the business.
- A sole trader has limited company for expansion and lacks continuity of existence.
- The business has no legal personality and therefore has no continuity/Continuity depends on the life and health of the owner.
- The owner provides capital from his/her saving/borrow money from the bank.
- Profit is added to the rest of the owner’s taxable income.
- There are no special requirements when the owners wants to close the business.

Advantages of a Sole trader/proprietorship

- Requires little capital to start.
- Quick and easy decisions can be made
- No legal process and requirements
- Can easily adapt to the needs of the client/customer
- The assets of the business belong to the owner personally
- A sole trader can close contracts and trade in his own name
- The owner takes all of the profits made by the business and are entitled the ownership of assets.
- There is personal encouragement and personal contact between the owner and customers.
- Sole traders are generally closer to their customers and offer a more personalised approach and improved customer service.

Disadvantages of a Sole trader/proprietorship

- It is not always possible to pay high salaries
- Unlimited liability which means that the owner is personally liable for all the debts and losses suffered by the business.
- Growth of business can be restricted due to lack of capital.
- The owner is responsible for providing all the capital needed which may be difficult to raise a big amount.
- If the owner does not have enough knowledge/experience the business may fail.
- A sole trader lacks continuity especially in the event of death or illness.
- Difficult to attract highly skilled and knowledgeable employees.
- Tax is calculated according to a progressive income system, which can be up to a maximum of 40%.

5.2.1 Partnership

Definition

- An agreement between two or more people who combine labour, capital and resources towards a common goal.
- Partners share the responsibility of the business and they share the financial and management decision of the business.

Characteristics of a partnership

- There are no legal requirements in starting a partnership except the drawing up of a partnership agreement.
- Partners combine capital and may also borrow capital from financial institutions.
- Profit is shared according to the partnership agreement.
- Partners share responsibilities and they are all involved in decision making
- Partners have unlimited liability and are jointly and severally liable for the debts of the business
- No legal requirements regarding the name of the business.
- No legal formalities to start, only a written partnership agreement is required.
- Partnership has no legal personality and therefore has no continuity.
- The partnership does not pay income tax, only the partners in their personal capacities.
- Auditing of financial statements is optional.
- Partners share responsibilities and they are all involved in decision making.
- Diversity/Specialisation/Different skills of the partners can be used.
- There is no specific suffix to be reflected in the name of the partnership.

Advantages of a partnership

- Can bring in extra partners at any time.
- All partners have a personal interest in the business.
- The workload and responsibility is shared between partners.
- Partners invest new capital into the business to finance expansion
- It is easy and inexpensive to establish even with a written agreement.
- Partners share any profits and are therefore motivated to work hard.
- Partners share responsibilities for decision making and managing the business.
- Attract prospective employees with the option of incentives of becoming a partner.
- Partnerships are not compelled by law to prepare audited financial statements.
- Each partner can focus on their own individual strengths when sharing the workload.
- Partners are taxed in their own capacities, which could lead to lower taxation, depending on the level of income of the individual.
- Raising additional capital to finance further business expansion is easy, because there is no limit on the number of partners allowed in each partnership.
- The partners able to put their knowledge and skills together to collectively make the best decisions.
- Partnerships are relatively easy to establish. There are no formal requirements for the creation and running of a partnership.

Disadvantages of a partnership

- Partners might not all contribute equally.
- There can be lack of capital and cash flow.
- Partners are jointly and severally liable for the actions of the other partners.
- Partnership lacks continuity, if one partner dies/retires, the remaining partners need to draw up a new agreement.
- Partnership is not a separate legal entity and therefore partners are liable for the debts in their own capacity.
- Different personalities and options of partners can lead to conflict disagreements.
- Each business partner is legally responsible for the joint liability of the partnership.
- A partnership has unlimited liability which means that partners risk losing their personal possessions.
- Discussion between partners can slow down decision making, and they may disagree on important business decisions.
- In large partnership, the partners may struggle to agree on business issues.
- Changes or transfer of ownership can be difficult and generally require a new partnership to be established.
- Loss in profits and stability of the business can occur if a partner resigns/dies/loses interest in the business or is declared bankrupt.
- Profits are divided between partners according to the partnership agreement and not according to the income distributed.

5.3 Differences between a sole trade and a partnership

Sole trader	Partnership
• A sole trader is a business that is owned and managed by one person	• An agreement between two or more people who combine labour, capital and resources towards a common goal.
• Quick and easy decisions can be made	• Discussion between partners can slow down decision making, and they may disagree on important business decisions
• If the owner does not have enough knowledge/experience the business may fail	• The partners are able to put their knowledge and skills together to collectively make the best decisions

5.4 Close Corporation

Definition

- It is businesses that is owned by members and can have between one and ten members.

Characteristics of a Close Corporation

- Can have a minimum of one and maximum of ten members who share a common goal.
- The name must ends with the suffix CC.
- Members of the CC both own and control the business.
- Profits are shared in proportion to the member's interest in the CC.
- A CC has its own legal personality and therefore has unlimited continuity.
- Each member makes a contribution of some assets/services towards the corporation.
- The word 'close' means that all members are involved and participate in its management.
- Members have unlimited liability except where the CC has had more ten members for six months or longer.
- Auditing of books is optional as members only need an accounting officer to check financial records.
- Transfer of a member's interest must be approved by all other members.
- Members of the CC are paid according to the percentage interest owned by each.

Advantages of a Close Corporation (CC)

- A CC is a legal entity and has continuity of existence
- A Close Corporation is easy to establish and to operate because there are fewer legal requirements than companies.
- A Close Corporation is not required to hold annual general meetings (AGM).
- Meetings are not compulsory and can be held on an ad hoc basis
- Members have limited liability.
- A Close Corporation can be converted to a Private company and members may become shareholders.
- The 'Business Rescue' clause work to the advantage of the CC because it facilitates the rehabilitation of a CC when it is financially distressed.
- Transfer of ownership is easy as it can be transferred to individuals if all members agree.
- There are no directors, therefore, no complex rules like in companies where directors are subjected to more rules.
- Close Corporation may be exempted by CIPC from auditing its financial statement.

Disadvantages of a Close Corporation

- Limited growth and expansion since a CC cannot have more than ten members
- A member of a CC can be held personally liable for the losses of the CC if the member acts is incompetent.
- Audited financial statements may be required when applying for a loan
- All members must agree to dispose of a member's interest. This could make it difficult for members to leave the CC or to pay a member their portion.
- Every member act as an agent of the CC and the CC is bound by the member's actions.
- It is not possible to sell a CC to a company because companies cannot be converted into CCs.
- A CC is taxed on its income and Standard Tax of Company (STC) based on member's dividends/ Double taxation.

5.5 Private company

Definition

- A private company has have between one or more shareholders
- It can be a small or large company and has one or more directors.

Characteristics of a private company

- It needs a minimum of one shareholder and there is no limit on the number of shareholders
- Requires one or more directors and one or more shareholders.
- Raises capital by issuing shares to its shareholders.
- The company name ends with letters (PTY) Ltd.
- Investors put capital in to earn profit from shares.
- The company has a legal personality as well as unlimited continuity
- A private company is not allowed to sell shares to the public.
- Shareholders have limited liability and a separate legal entity.
- Profits are shared in the form of dividends in proportion to the number of shares held.
- Register with the registrar of companies by drawing up Memorandum of Incorporation.
- Shareholders have a limited liability and will not lose their initial capital invested if the business goes bankrupt.
- The Act imposes personal liability on directors who are knowingly part of the carrying on of the business in a reckless or fraudulent manner.
- Private company must prepare annual financial statements but is not required to lodge its annual financial statements with the Commission.
- Annual financial statements need not be audited or independently reviewed, unless prescribed by regulation

Advantages of a private company

- A company has continuity of existence.
- Managed at least by one competent highly skilled director.
- Information in a private company is only available to shareholders.
- Not required to file annual financial statements with the commission.
- The company has unlimited number of shareholders and its life span is perpetual.
- Shareholders can vote for/ appoint the most capable directors to manage their company.
- Own legal identity and shareholders have no direct legal implications/ limited liability
- Large amount of capital can be raised since there is no limit on the number of shareholders.

- Even though shares are not freely transferable, large private companies can raise considerable amount of capital
- It is possible to sell a private company as it is a legal entity in its own right.
- The management of the company can improve since directors are accountable to shareholders.
- The company can access long term capital and therefore has good long term growth opportunities.
- The company is a separate legal person it can buy property in its own name. Liabilities of the shareholders are limited.

Disadvantages of a private company

- Difficult and expensive to establish a private company compared to Close Corporations and Sole Proprietorship
- Large management structures can result in decision-making taking time.
- The private company is not allowed to sell shares to the public.
- Directors may sometimes act in their own interest, not in the company's best interest.
- Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company.
- Difficult and expensive to establish as the company is subjected to many legal requirements.
- Pays tax on the profits of the business and on declared dividends/Subject to double taxation.
- Financial statements must be reviewed by a qualified person, which is an extra expense to the company.
- Directors will be held personally responsible for debts if it can be proven that that they committed fraud.
- Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director.
- A meeting may not begin, or a matter may not be debated unless at least three shareholders are present.

5.6 Personal liability Company

Definition

- A personal liability company is very similar to a private company except that the present and past directors are personally responsible for any debts of the business.
- The name of the personal liability company ends in INC and the name of the private company ends in (PTY) Ltd.

Characteristics of a personal liability company

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

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

Advantages and disadvantages

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

5.7 Public company

Definition

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

Characteristics on a public company

- A minimum of one person is required to start a public company.
- The company name ends with letters Ltd
- Shareholders have a limited liability.
- A prospectus is issued to the public to raise capital.
- Has legal personality and therefore has unlimited continuity
- A public company has a separate legal personality.
- Requires three or more directors and three or more shareholders.
- Profits are shared in the form of dividends in proportion to the share held
- A public company is required to hold an AGM (Annual General Meeting).
- Register with the Registrar of Companies by drawing up Memorandum of Incorporation.
- Raises capital by issuing shares to the public and borrowing capital by issuing a debenture.
- Auditing of financial statements is compulsory and audited statements are available to shareholders and the public
- The new Act forces personal liability on directors who knowingly participated in carrying out business in a reckless/fraudulent manner.

Advantages of a public company

- The business has its own legal identity and can own assets/property.
- Managed by at least one competent highly skilled director.
- Directors bring creative ideas which encourage innovation/high productivity
- Shareholders can sell/transfer their shares freely.
- Attracts small investors as shares can be transferred freely/ easily
- Strict regulatory requirements protect shareholders.
- Easy to raise funds for growth through the sale of shares.
- Additional shares can be raised by issuing more shares or debentures.
- No limitation on the number of shareholders, so growth/expansion is not limited
- Shareholders have a limited liability for the debt of the company/Shareholders may only loose the amount which they invested.
- The management of the company can improve since directors are accountable to shareholders.
- The public has access to the information and this could motivate them to buy shares from a company

Disadvantages of a public company

- Difficult and expensive to establish as the company is subjected to many legal requirements
- Must disclose all financial information which can be used by its competitors
- Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration
- Directors may not have a direct interest in the company, which can hamper growth and profit maximisation
- Directors' fees increase the company's expenses which reduces net profit.
- Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director
- A full report must be submitted to the major shareholders each year
- Large management structure can result in decision making taking time
- Large amount of funds are spent on financial audits.
- Financial affairs must be known publicly, this information could be used to competitors' advantage.
- Management may be open to legal challenges if their reports do not comply with King Code III.
- Public companies are subject to more disclosure and transparency requirements.

5.8 Differences between the private company and public company

PRIVATE COMPANY	PUBLIC COMPANY
- May no offer shares to the general public.	- Trades its shares publicly on the Johannesburg Securities Exchange.
- Shares are not freely transferable	- Shares are freely transferable.
- Minimum of one director.	- Minimum of three directors.
- Name must end with Proprietary Limited/(Pty) Ltd.	- Name must end with Limited/Ltd.
- Annual financial statements need not be audited and published.	- Annual financial statements need to be audited and published.
- Does not need to publish a prospectus as it cannot trade its shares publicly.	- Have to register and publish a prospectus with the Companies and Intellectual Property Commission/CIPC.
- The company is not required to raise the minimum subscription/ issue minimum shares.	- Must raise a minimum subscription prior to commencement of the company.

5.9 Differences between the private and a personal liability company

PRIVATE COMPANY	PERSONAL LIABILITY COMPANY
The name ends with (PTY) Ltd	The name ends with INC
The directors are not personally liable for the debts of the business.	The directors are personally liable for the debts of the business.

5.10 State owned company

Definition

- A state owned company has the government as its major shareholder and falls under the department of Public Enterprise.
- These companies take on the role of commercial enterprise on behalf of the government.

Characteristics of a state-owned company

- The name ends with letters SOC Ltd.
- SOC is listed as a public company.
- It is owned by the government and operated for profit.
- One or more persons may incorporate and there is no limit on number of shareholders.
- Requires three or more directors and one or more shareholders.
- Register with the Registrar of Companies by drawing up Memorandum of Incorporation.
- State-owned companies support private businesses by providing infrastructure such as communication service/Post office and supply of electricity/Eskom.
- A state-owned company enjoys financial autonomy because they depend on the government for initial investment.
- The Act imposes personal liability on directors who are knowingly carrying out part of the business in a reckless or fraudulent manner.
- State-owned company is compelled to have its financial statement audited.
- A state-owned company is compelled to attend an annual general meeting (AGM).
- A state-owned company has a separate legal personality and have limited liability.
- Shareholders have limited liability

Advantages of a state-owned company

- Shareholders have limited liability.
- Profits may be used to finance other state departments.
- Offer essential services which may not be offered by the private sector
- Wasteful duplication of services is eliminated.
- Jobs are created for all skills levels.
- Generates income to finance social programmes.
- Prices are kept reasonable/Create sound competition with the private sector to make services affordable to more citizens.
- Planning can be coordinated through central control
- Provides a healthy competition to private sectors because of government contributions.
- Most of the government companies run on sound business lines as they have their surpluses to run their projects.
- State-owned company can be expanded by means of selling its shares to the public.
- A state-owned company has a separate legal personality.

Disadvantages of a state-owned company

- Inefficiency due to the size of the business.
- Financial statements must be audited.
- Losses must be met by the tax payers.
- Government can lose money through the business.
- Shares are not freely tradable making it difficult to raise capital.
- A lack of incentive for employees to perform if there is no absence of other motivator such as productivity bonuses.
- A lack of incentive for employees to perform if there is no share in the profit.

- May result to poor management as government is not always as efficient as the private sector.
- Often rely on government subsidies which may not cover all the company's expenses.
- SOC must follow strict regulations for operations to raise capital.
- A state-owned company is compelled to attend an annual general meeting (AGM).
- State-owned company is compelled to have its Financial statement audited

5.11 Non-profit Company

Definition

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

Characteristics of non-profit companies

- The main aim is to provide service and not to make a profit.
- They are funded by donations and foreign funding.
- The name of the company must end in NPC.
- All profits must be used for the primary objective of the non-profit company.
- It must prepare a Memorandum of Incorporation.
- Qualifying NPCs are granted tax-exempt status.
- The board of a non-profit company must comprise at least three directors (3 or more directors).
- Non-profit companies do not have a share capital and cannot distribute shares or pay dividend to their members.

Advantages of a non-profit company

- Profits are used solely for the primary objective of the organisation.
- They provide social services to various communities.
- Donors receive tax deductions.
- The liability of the members is limited
- Has a legal personality and continuity of existence.
- Can receive grants grants/aid
- Surplus of income is retained to further the goals of the business
- Must prepare the financial statements at the end of the year and is not compelled to audit the financial statements.
- Non-profit companies are not compelled to attend the general annual meeting (AGM).

Disadvantages of a non-profit company

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

5.12 Co-operatives

Definition:

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

Types of Co-operatives

- Housing co-operative.
- Worker co-operative.
- Social co-operative.
- Agricultural co-operative.
- Co-operative burial society.
- Financial services co-operative.
- Consumer co-operative.
- Transport co-operative

Characteristics of Co-operatives

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

Advantages of Co-operatives

- Access to resources and funding.
- Decision making is by a group
- Members have limited liability
- The decisions are democratic and fair
- Co-operatives have continuity of existence
- Profits are shared equally amongst members
- Each member has an equal share in the business.
- A co-operative can appoint its own management
- Members are motivated because they are working for themselves
- Can gain extra capital by asking its members to buy shares.
- Resources of many people are pooled together to achieve common objectives.

Disadvantages of Co-operatives

- Difficult to expand a co-operative.
- Shares are not freely transferable
- Very few promotion positions for staff.
- Decisions are often difficult to reach and time consuming.
- It can be difficult to get a loan because their main objective is not always to make a profit.
- The success of cooperatives depends on the support of the members.
- All members have one vote regardless of the number of shares hold

TERM 3

CHAPTER 10

CREATIVE THINKING AND PROBLEM SOLVING (POST-COVID)

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Explain the meaning of creative thinking.
- Describe/Explain/Discuss the advantages/benefits of creative thinking in the work place.
- Explain how businesses can use creative thinking to generate entrepreneurial qualities, e.g. designing environments that stimulate creative thinking.
- Discuss/Describe/Explain how business can use creative thinking to solve business problems.
- Elaborate on the meaning of problem solving.
- Explain/Discuss the differences between problem solving and creative thinking
- Outline/Mention/Discuss/Explain the problem solving cycle.
- Explain/Discuss/Describe how businesses can apply the problem solving techniques to solve business problems.
- Recap the meaning of business opportunity
- Briefly explain the purpose of the eight business functions
- Describe/Explain how businesses can use mind-mapping, brainstorming to identify innovative and entrepreneurial business opportunities.
- Recommend/Suggest ways in which creative business opportunities can realistically be implemented.

1 The meaning of creative thinking

- Creative thinking is the ability to think original, varied and innovative ideas.
- It focuses on exploring ideas/generating possibilities/looking for many possible solutions.
- Thinking in a way that is unconventional and original
- It is the act of producing new ideas and making them real.
- Generating new ideas and being open to new ideas.
- Focuses on exploring ideas/generating possibilities and looking for many possible answers.

1.1 Advantages/Benefits of creative thinking in the workplace

- Creative thinking improves the quality of solutions to business problems
- Products and services can be marketed creatively
- Stimulates profitable new ideas for products/marketing campaign and public relations.
- Managers can come up with creative strategies for the business
- Employees can think for themselves and come up with creative solutions.
- Motivates employees and improves their skills resulting in a happy workforce.
- Improves productivity and reduces voluntary turnover.
- Creative public relation strategies can be designed and implemented.
- Helps businesses to respond to the threat of competition and to remain leaders in the field.
- Helps businesses to provide its clients with the best possible products or services, which improves client loyalty.
- Leads to the development of better methods of production to save on costs.
- Allows businesses to extend its range of services like offering better customer services or credit facilities.
- New products/services can be designed to meet changing needs of customers.
- Managers can motivate and manage staff in creative ways to get the best from them.

1.2 Ways in which businesses can use creative thinking to generating entrepreneurial opportunities

- Successful entrepreneurs use creative thinking to come with new products/services.
- They create a new market for their products that never existed before.
- Creative thinking can be applied to continuously improve products and to stay ahead of competition.
- Designing environments that stimulate creative thinking

1.3 Ways in which businesses can use creative thinking to solve business problems

- Products and services can be marketed creatively
- New products can be designed to meet changing tastes and demands
- Existing products can be adapted creatively to meet changing tastes and demands
- Managers can come up with creative strategies for the business
- Managers can motivate and manage staff in creative ways in order to get the best from them.
- Employees can think for themselves and come up with creative solutions to all kinds of business problems
- Creative public relations strategies can be designed and implemented.
- Encourage a spirit of play and experimentation in the workplace.
- Give feedback on employees' performance
- Provide time/resources/opportunities for creative problem solving
- Encourage brainstorming sessions for employees
- Train employees on creative thinking and problem solving techniques.
- Recognise and reward achievement
- Encourage employees to express their ideas and take risks in a safe/non-threatening environment.

2 The meaning of problem-solving

- Problem solving is the ability to search for and find information relating to the problem
- It is a process of identifying and analysing the problem and coming up with the solutions.

2.1 Differences between decision making and problem solving

DECISION MAKING	PROBLEM SOLVING
Often done by one person or senior management	Carried out by a group of people
Existing alternatives are considered and choosing a best solution to a problem.	Encourages creative thinking since it aims at finding a new solution to a problem.
It does not form part of problem solving since decisions need to be taken for each step of the process.	Innovative solutions are generated, implemented, and evaluated.

2.3 Problem solving cycle/steps

- Businesses need to have a process that can be used to solve their problems.
- The problem solving cycle/steps consists of the following aspects:

(a) Identify the problem

- Businesses must first know and understand the problem.
- The problem must be defined accurately.
- Businesses should get the opinions and suggestions of everyone involved.
- Collect as much information as possible and study the problem

(b) Define the problem

- This step can only take place once a business knows and understands its problem.
- Generate a definition that is concrete and specific
- The nature of the problem must be precise.
- They must define the possible causes of the problem.
- Define the problem so that it becomes easier to find a solution

(c) Formulate a strategy

- A strategy is a plan of action that requires further investigation before a decision is reached.
- Businesses need to use problem solving techniques to find solutions.
- Use the problem solving techniques to formulate relevant the strategies
- Consider different solutions for the problems by using creative thinking techniques
- The solution must be realistic and executable

(d) Choose the best solution/strategy

- Businesses must set criteria for the best solution/strategy, in terms of aspects such as time/cost/risk involved.
- The best solution/strategy should match the size and the resources of the business.
- If the solution is not appropriate, they should go back to defining the problem.

(e) Allocate the resources

- Resources include money/staff members/time/equipment etc.
- Plan carefully so that you do not interrupt the normal running of the business
- Consider buying affordable and effective resources
- Communicate with employees so that they understand the strategy and know who will do each job
- This process requires good planning, communication and organisational skills

(f) Implement the strategy

- Put the strategy into action and have necessary resources to implement the strategy.
- Plan the steps required to implement the strategy.
- Implement the strategy according to the plan
- The method and time of implementation be considered

(g) Monitor the problem solving

- Monitor whether the strategy is solving the problem as defined in step one.
- If the strategy is not working, then return to step 3 and come up with an alternative strategy.

(h) Evaluate the problem-solving process

- Businesses must use critical evaluation and analytical skills to evaluate the strategy.
- Once the strategy has been implemented, evaluation process must be done to identify areas that were effective and areas where improvement can be made
- Monitor if the strategy was successful or not in solving the problem
- Evaluate the entire process that was used to reach the strategy
- Get the views of all the people involved in the process

2.4 Problem-solving techniques

- Nominal group technique
- Brainstorming
- Force field analysis
- Delphi technique
- Chair technique
- Empty chair
- Mind mapping
- SCAMPER

2.4.1 Nominal group technique

- The nominal group technique is used to avoid the disadvantages of group discussions.
- There is always one or two dominant people who take over while the rest of the group members keep quiet.

Application of the nominal Group technique

- The group is divided into a smaller group of 5 or 6 people around the table
- The problem is defined clearly.
- Each individual silently brainstorms as many ideas as possible and write them down
- One by one, each person in the group gives one of their solution and someone writes them all down on a big sheet of paper.
- Everyone gives a second solution, and so on until all possible solutions have been recorded.
- No one is allowed to criticize, but participants may ask questions to understand the suggested solution more clearly.
- Each person reads through all the suggestions and anonymously rates them giving the highest points for the best solution, down to the lowest point for the one they like the least.
- The ratings are collected, and the points collected and calculated.
- The group is given the results of which idea received the most points, the second most points, and so on.
- Each group presents the solution that was deemed the best according to the votes.

2.4.2 Brainstorming

- Businesses use brainstorming when they want to involve employees/team in the decision making process.
- It needs to be managed by a facilitator to ensure that the best result is achieved.

Application of brainstorming

- The problem must be defined clearly
- People in the group suggest ideas and solutions at random.
- All ideas must be written on a flip chart
- The facilitator must encourage everyone to participate and ensure that no-one criticizes any suggestions.
- When the time is up/no one has any more ideas, the sheets with suggestions are hung around the room.
- Similar ideas are grouped together using coloured pens
- The group evaluates the ideas and rates them according to how successful they think each idea will be.
- A plan of action is discussed to put the best ideas into practice.

2.4.3 Force field analysis

- It is aimed at facilitating change in the business.
- People are often resistant to change and will act against change taking place.
- Management is a force acting for change, while the employees are a force acting against change.

Application of force field analysis
Option 1

- Change should be communicated effectively to employees.
- Stop all change for a while until proper communication has been done
- Explain the reasons and benefits of the changes to all staff.
- Ensure that everyone understands how the change will affect them.
- Ensure that all questions are dealt with effectively
- Do not make any more changes in the organization for a while so that it can stabilise and employees can get used to the changes.

Option 2

- The business should describe the current situation and the desired situation.
- Write a plan/proposal for change in the middle.
- List all the forces driving (positive) and resisting (negative) change
- List all forces in support of the change in one column.
- Assign a score for each, from 1 (weak) to 5 (strong)
- Determine if change is viable. If not, check which resisting forces can be influenced/mitigated/avoided to make the change possible.
- If so, find ways to increase the forces for change and diminish the forces against change.
- Based on this outcome, come up with a strategy to help reduce the resisting forces and ensure that the changes can be done.

2.4.4 Delphi technique

- The Delphi technique is used when trying to solve a big problem of which there seem to be no previous examples.
- Businesses use this technique to obtain group input from experts on a specific issue
- The experts are intentionally kept apart so that their responses are not influenced by other experts taking part in the process.

Application of Delphi technique

- A panel of experts is invited to participate in the process.
- Experts do not have to be in one place and will be contacted individually.
- A questionnaire is designed and distributed to the panel
- The panellist responds to the questionnaire individually/recommend improvements to the products and return it to a business.
- The responses from the experts are summarised in a feedback report.
- The feedback report and a second set of questions/questionnaire related to the feedback are sent to the panellists.
- The panellists read the feedback report and decide if they wish to change their initial ideas/suggestions/solutions.
- They then complete the second questionnaire
- A final summary and feedback report is prepared.
- Consensus is reached and the best solution is chosen.

2.4.5 Chair technique

- It is a method of weighing up the pros and cons of an idea/decision.

Application of a chair technique

- People consider a problem or idea.
- They take turns to sit in one chair and list all the pros/positive points about the idea/decision
- They then move to another chair and list all the cons /negative points about the idea/decision
- Someone acts as a scribe and writes down each person's pros and cons.
- The lists are discussed and the pros and cons weighed up against each other.
- The final decision is taken

2.4.6 Empty chair

- This technique can be used when a person must make decisions alone.
- The participant speaks to an empty chair where he/she imagines another person is sitting
- He/she may decide to take the position of the other imaginary person and respond

Application of empty Chair

- One person sits facing an empty chair and imagines that someone he/she respects is sitting in the chat chair.
- Explain the problem to them in detail, out loud.
- Describe all the angles of the problem
- Tell them what you think the possible solutions are and how you think each of the solutions will work out.

2.4.7 Mind-mapping

- Mind maps are diagrams that represent ideas or concepts.
- Their strength is that they work like our brain works.
- They are useful for generating new ideas, problem solving, making notes to organise thoughts and summarising when studying.
- Mind mapping is a simple technique for drawing information in diagrams instead of writing it in sentences.
- The diagrams always take the same basic format of a tree with a single starting point in the middle that branches out, and divides again and again.

Application of mind mapping

- Decide on the central problem or topic
- Find a word/picture that captures the problem/topic
- Break down the central theme into main ideas/points.
- Put these points on the main branches
- Break the ideas down further into sub-points
- Use colour and shapes to help sort ideas logically.
- Use few words where possible

2.4.8 SCAMPER

- Offers simple guidelines to help see things differently
- Scamper stand for Substitute, Combine, Adapt, magnify, put to other use, Eliminate and Rearrange
- Each letter stands for a way to change an existing product/service
- Generate new ideas and solve problems

Application of SCAMPER

- **Substitute**: Replace part of the problem with something new
- **Combine (mix)**: Arrange parts of a problem in a creative way to cancel out the problem
- **Adapt**: Look at existing solutions and adapt them to solve the current problem.
- **Modify**: Exaggerate the problem and see if that can be adjusted to solve the whole problem
- **Put to other use**: Use part of the problem for something else
- **Eliminate:** Get rid of some parts of the problem
- **Rearrange**: Push the idea around and rearrange so that it can be seen differently.

3. The use of indigenous knowledge to solve problems and identify business opportunities

- Indigenous knowledge refers to the knowledge/practice and skills that were develop by indigenous people to improve their quality of life.
- It is important to use indigenous knowledge when identifying business opportunities if the success of the business will depend on a local sales.
- Businesses need understand their markets before they identify a business opportunity.
- The knowledge of the history, culture, traditions, norms and values of the market is important
- The entrepreneur must be motivated to know about the indigenous knowledge in the business environment
- Gather insight into the indigenous knowledge
- Indigenous knowledge systems can give rise to economically efficient ways of doing things.
- Develop a strategy to incorporate the indigenous knowledge into the business
- Implement the strategy into the business

4 Ways in which creative business opportunities can realistically be implemented.

- People have to be prepared to pay enough for the product to cover the production costs.
- There has to be a demand for the product/service
- Introduce the new product to the consumers and educate them on how it could be useful to them.
- The entrepreneur must first identify a business opportunity to implement
- Develop a realistic plan
- Plan the activities to be conducted with reasonable deadlines and resources
- People in the business must also be identified and given tasks and activities of the plan
- The entrepreneur must motivate the workers to implement the plan
- Put control measures in place to ensure that workers are implementing the plan

CHAPTER 11

NOTES ON BUSINESS OPPORTUNITIES AND RELATED FACTORS (POST-COVID)

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Explain the meaning of a business opportunity and give practical examples.
- Explain the importance of assessing needs and desires in identifying a business opportunity.
- Design a research instrument to assess needs & desires e.g. questionnaires, interview structure/schedule.
- Explain/Describe protocol for conducting research.
- Conduct a market research and identify a business opportunity.
- Explain the difference between internal & external market research.
- Compile a SWOT analysis to determine a viable business venture.
- Identify a business opportunity based on the findings from compiling a SWOT analysis
- Apply a SWOT analysis from given scenarios/case studies

TERMS AND DEFINITIONS

TERMS	DEFINITIONS
Business opportunity	The potential of a business idea to succeed based on the researched needs and desires of the potential market
Research	A systematic investigation to find facts or to collect information.
Potential market	Customers who will want to buy a product/service and who have the cash or credit facilities to do so
Risks	Possibilities of loss or damage
Research instrument	A device/tool that can be used to gather information or to form a set of guidelines for observation
Respondents	People to whom the investigation is carried out/person who completes a questionnaire
Feasible	Being possible and practical to achieve something easily/conveniently
Viable	Capable of working successfully
Strengths	Particular skills and circumstances that exist in the business and its staff that contribute to its success.
Weaknesses	Circumstances that work against the business and its success
Opportunities	Circumstances that make something possible to the advantage of the business
Threats	Things that can cause the business to fail
Target market	A specific group of customers at which a company aims its products and services.
SWOT analysis	A technique/tool that is used to evaluate a situation from different angles in order to make strategic decisions.

1 The meaning of a business opportunity

- A business opportunity is an idea for a product /service that will meet needs/desires, and that can be sold or leased to earn an income.
- Entrepreneurs should be constantly on the lookout for new business opportunities to be competitive.
- It is an idea that can be converted into viable, income-producing business.
- Each need and desire is a possible business opportunity.
- It is a gap in the market when peoples' needs, and desires are unfulfilled.

1.1 Steps for identifying business opportunities

OPTION ONE

- Generate new ideas by applying problem solving techniques.
- Analyse the needs of consumers by doing research.
- Identify good business ideas.
- Determine the viability of ideas by conducting market research.
- Conduct a SWOT analysis.

OPTION TWO

- Identify your business and personal goals
- Research your preferred industries
- Identify promising industry segments
- Identify problem areas and brainstorm solutions
- Compare possible solutions with your objectives and opportunities.
- Focus on the most promising opportunities

1.2 Example of a business opportunity

- Apple was not satisfied with just selling computers. They looked for other opportunities and have made profits from other products such as the iPod, iPhone and iPad etc.

1.3 The importance of assessing needs and desires in identifying a business opportunity

- Needs and desires are keys to successful business opportunities.
- Entrepreneur should create a desire for the product through a well-designed advertising and marketing campaign.
- When people have needs or desires that are not fulfilled, then a business opportunity is presented to fulfil those needs and desires.

2 The meaning of market research

- Market research is the systemic gathering, recording and analysing data about the marketing of goods and services.
- Market research strives to obtain facts and opinions in an objective way to identify the need for a product/service.
- It is conducted on a regular basis because people constantly change their buying behaviours and needs.
- Involves finding out about customers' needs and wants
- Helps businesses to identify customer needs and competition gaps.

2.1 Research instrument to assess needs and desires

- A research instrument is a device/tool that can be used to gather information or to form a set of guidelines for observation.
- Entrepreneurs usually develop a research instrument to find out about people's needs and desires.

2.2 Types of research instruments

2.2.1 Questionnaires

- Questionnaires are designed to collect information from people about their attitudes/preference/level of knowledge/personalities/beliefs etc.
- A questionnaire consists of a series of questions that are developed to gain information from respondents.
- Respondents give answers in writing
- Responses may be immediate/direct or need to be emailed.

2.2.2 Interviews

- Business situations provide opportunities for interviews with employers, customers, analysts etc.
- The interviewer leads the interview by asking questions and the interviewee responds to the questions
- Responses are collected from an individual or a group and may be recorded
- Questions should be carefully prepared and selected to avoid any biasness.
- Questions should be carefully prepared to avoid anything that might be sensitive and offensive
- Helps businesses to collect the same type of information from many people.
- Businesses do not require processing assistants as they are able to analyse responses/data.

2.3 Steps in developing a research instrument

- Entrepreneurs have to be clear about what they want to know about potential customers' thoughts/ behaviours/habits/need/desires/financial status etc.
- Give clear, concise instructions on how to answer each section.
- Questions must be short, simple and easy to read.
- Ask simple /unambiguous/clear questions that will lead to an excellent data collection.
- Avoid leading people with the question as a true reflection of what people want or feel may not be obtained.
- Participants/Respondents must not be confused nor offended.
- A questionnaire can also include multiple choice questions that offer a number of options or questions where things must be ranked according to a scale e.g. strongly disagree/disagree/agree/strongly agree.
- The interview schedule can consist of both closed and open questions.
- Test the questionnaire or interview schedule on yourself or friends to see if works and if the required information will be obtained.

3 Protocol for conducting research

- The researcher must obtain consent (permission) from the participants before interview takes place.
- The research must first be approved if it is taking place within an organisation.
- If a face to face interview is to be conducted prior arrangements must be made for the participant's convenience
- The person conducting the research should not influence the opinions of the participants.
- The researcher must start by introducing himself/herself.
- Interviewee/Respondent need to be told that their names will not be mentioned if that is what they want.
- Interviewee/Respondent must be informed about the purpose and intentions of the interview.
- Interviewee/Respondent should be informed about the duration of the interview.
- Information collected from the participants should be kept confidential.

- Interviewee/Respondent should be free to refuse to answer a particular question.
- The responses should not be used for any purpose other than the market research being conducted.
- Research findings must be reported accurately and not used to mislead any person.
- Ensure that the research is within the ethical standards of the industry by obtaining clearance from relevant persons or bodies.

4 The differences between internal and external market research

INTERNAL MARKET RESEARCH	EXTERNAL MARKET RESEARCH
• It is the research conducted from within the business.	• It the research that is conducted from outside the business.
• Employees together with general employers indicate taste, type of products/services of the business.	• Businesses use data from market research that has been conducted in the past by other organisations/ statistics published by the government.
• Different resources are used for gathering business information for helping management to make informed decisions.	• Useful information about the target market, environment and about customers' needs and desires can be obtained.

5 Types of data collection

DATA	EXPLANATION
• Primary data	• Primary data is first-hand information that is collected by the researcher through interviews and questionnaires. **Examples of primary data:** • The potential market for a new product or service • Client satisfaction levels with products or services that are currently offered • Possible geographical position of a potential new business
• Secondary data	• Secondary data is second-hand information that is obtained through academic books, journals, references etc. **Examples of secondary data:** • The demography of a community • The average level of income in a community

6 The meaning of a SWOT analysis

- It is used to help businesses make decisions by setting out information clearly in order to only focus on important information.
- Entrepreneur use a SWOT analysis to decide if their business idea is indeed a viable business opportunity.
- SWOT stands for strengths, weaknesses, opportunities, and threats.
- Strengths and weaknesses usually relate to internal factors/inside the business.
- Opportunities and threats are usually external factors/outside the business.

6.1 An example of a SWOT analysis

Imagine that you have decided to sell cakes at the school market day.

INTERNAL	**STRENGTHS**	**WEAKNESSES**
	List all the strengths of your idea/product/business e.g.: • Easily available • Can be made by learners • Cheap to make	List all the areas where the business idea/product falls short e.g. • Perishable • Need careful handling • Need to be hygienically stored • Have to be hygienically displayed
EXTERNAL	**OPPORTUNITIES**	**THREATS**
	List all opportunities that could assist the business idea/improve the product e.g. • Appeals to most learners • Not gender specific (boys and girls like cakes.) • Cheap compared to other products	List everything that threatens the success of the business idea/product e.g. • High competition • Low profit margin

Another example of a SWOT analysis

INTERNAL	**STRENGTHS**	**WEAKNESSES**
	List all the strengths of your idea/product/business e.g.: • Capabilities • Good employees • Sufficient resources • Quality products/services	List all the areas where the business idea/product falls short e.g. • Special registration • Bad reputation • Lack of finances/resources • Lack of leadership • Lack of capabilities
EXTERNAL	**OPPORTUNITIES**	**THREATS**
	List all opportunities that could assist the business idea/improve the product e.g. • Partnership with other businesses • Fashion and trends • Tenders • Product development	List everything that threatens the success of the business idea/product e.g. • Economical factors • Political factors • Environmental factors • Technological factors • Legal factors • Physical factors • Competitors

6.2 Using a SWOT analysis to to determine a viable business venture

- Conduct a SWOT analysis listing your idea's strengths, weaknesses, opportunities and threats.
- Analyse the impact of the strengths you have listed e.g. how much of a positive influence will they have on the success of the business.
- Analyse the impact of the weaknesses you have listed in the same manner.
- Analyse the impact of the opportunities you have listed in the same manner.
- Analyse the impact of threats you have listed in the same manner
- Compare the positives and negatives rankings.

- Add all the positive scores (strengths and opportunities) . Then add all the negatives scores (weaknesses and threats).
- Compare the results. Which is higher?
- If you have ranked the negatives scores higher than the positive ones, you need to reconsider your business idea.

6.3 The importance of conducting a SWOT analysis

- It is a useful planning tool and helps people to make decisions by setting out information clearly.
- Businesses use this tool when making important decisions
- Entrepreneurs use when making decisions about the viability of a business opportunity
- It is useful to assess business opportunities because it assesses businesses strengths and weaknesses
- Helps business owners to identify ways in which their business can grow and identify potential threats
- Businesses can use this tool during any stage of development
- Helps a business to determine its position to fulfil the needs and wants of their prospective customers
- It is useful if there are changes in the market environment or when considering starting a new business venture.

CHAPTER 12

PRESENTATION OF BUSINESS INFORMATION

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Explain/Discuss the importance of business reports.
- Mention/Outline/Explain guidelines on writing an effective business report.
- Explain the advantages of using visual aids
- Outline/Explain/Discuss factors that must be considered when preparing for a verbal presentation.
- Advice businesses on how to prepare for support materials for a presentation.
- Explain the purpose of audio-visual aids.
- Identify audio-visual aids from given scenarios/case studies/pictures/cartoons. Support your answer by quoting from given scenarios/case studies/pictures/cartoons.
- Explain factors that must be considered when designing a presentation.

TERMS AND DEFINITIONS

TERMS	DEFINITIONS
Business report	It is a written document that communicates information to assist business decision making
Graphs	Two-dimensional drawing showing a relationship between two set of variables by means of a line/curve/bars.
Presentation	The act of communicating information/data to an audience/stakeholders in an organization.
Verbal Presentation	The presentation is delivered through word of mouth or in words.
Non-verbal	Presentation is delivered through writing or supporting material.
Visual Aid	Refers to charts/pictures/images that help to clarify a point/enhance a presentation
Audio Visual Aid	It is material or tool directed to both sense of hearing and sight, e.g. projector
Data Projector	Is a devise that projects images from a computer onto a screen
Interactive whiteboard	It's a devise that has a data projector attached to it. It also has special pens that a presenter can write on it.
Video Conferencing Equipment	A conversation between two or more people or groups of people at different places using a computer network to transmit their voices or images. Different places
Overhead Projector	It is a devise that shines light through a glass on which a translucent slide is places on it.
Handout	Printed information provided to the audience to accompany a presentation
Diagrams	A drawing showing the appearance/structure/workings of data in a schematic representation.
Tables	A set of facts/figures systematically displayed, especially in columns
Flip Chart	A large pad of paper, bound so that each page can be turned over at the top to reveal the next page, used on a stand.

1 The importance of business reports

- Business reports enable management to keep track of every activity done in each department.
- It enables senior management with information on how each department is doing.
- It provides information that leads to decision making.

2 Guidelines on writing an effective business report

- Determine the scope of the report
- Determine the target audience of the report
- Determine how the report should be presented
- Collect the necessary information
- Prepare an overview of what the audience needs to know and details that should be included in the report.
- Write concisely/briefly and only include important information
- Use regular/basic language/simple grammar and clear short sentences
- Use accurate/meaningful visual aids such as tables, graphs, drawings etc.
- Spend time revising the report and correct spelling mistakes and grammatical errors
- Get someone to look at the report and to make suggestions for improvement.

3 Differences between verbal and non-verbal presentation

VERBAL PRESENTATION	NON-VERBAL PRESENTATION
-The presenter speaks in front of the audience	-The audience receive the message without the presenter saying it orally
-The audience sit and listen to the presenter	Facial expression is an example of non-verbal presentation, visual aids, hand signals

4 Factors that must be considered when preparing for a verbal presentation

- Write down the purpose of the presentation and list the objectives
- Consider the audience e.g. who are they /what do they already know/what you want them to know
- Prepare the structure of your presentation e.g. introduction/body/conclusion.
- Be fully conversant with the content of your presentation.
- Create visual aids that will assist in getting the points across effectively and memorably.
- Practice the presentation and time your presentation.
- Practice in front in front of someone who will provide honest opinion on the purpose and objectives of the presentation.
- Information to be presented should be relevant and accurate
- Have pre-knowledge of your audience to determine the appropriate visual aids
- Visit the venue and ensure that visual aids, the use of your equipment/availability of a generator in case of load shedding or electricity is available.
- Prepare your support material to enhance your presentation
- Prepare for the feedback session by anticipating possible questions/comments

5 Guidelines on how to prepare for support materials for a presentation

- Most visual aids require similar qualities to make them effective. They should:
  - use large/clear lettering that is easy to read from an appropriate distance
  - never have too much writing on them
  - provide visual representations of statistics in the form of graphs/charts
  - contain summaries of what the presenter wants to convey and not the whole text
  - be colourful and grab attention
  - be meaningful and appropriate

6 Types of visual aids

- Data projector
- Handouts
- Interactive Whiteboard/ Smart board
- Video conferencing equipment
- Flyers / Brochures
- Posters/Signs/ Banners/ Flags
- Overhead projector
- Charts/ Flip Charts/ White boards
- Graphs.
- Diagrams

7 Explanation of visual aids

Visual aid	Explanations
Data projector	-It is usually used for large groups -Projects images from a computer to a screen -Shows summaries/ graphs/relationships/diagrams /process steps etc. -Can be used to create a mood through showing images and videos -Slides summarises information to increase understanding
Handouts	-Use for small or large groups -Used to give summary of the presentation and provides follow-up activities -Contains summary of the most important points -They are given to the audience when they leave after the presentation -Provide details that cannot be included in the presentation such as financial statement -They provide structure and focus for the presentation
Interactive whiteboard	-Can be used for small or large groups -Can be used in brainstorming sessions to capture feedback and ideas -Can be linked to other whiteboards in other venues. Use coded pens to write new information and feedback
Video conferencing equipment	-Can be used for groups in different venues -Shows summaries/graphs/relationships/diagrams/process steps -Provides face-to-face contact even with international meetings -It uses audio and video to connect people in different places as if they are in the same room
Flyers/Brochures	-Can be used as effective marketing tool. -Can be used for attract people to an advert

Posters/signs/banners/ Flags	**-**Are used to communicate with potential customers -Can be used as a marketing strategy -They summarise information and discussions to stakeholders -It can be decorated to attract attention to the information on it.
Overhead projector(OHP)	**-**Used for a large group -Uses transparencies -Needs a special screen mounted at an angle to a wall -Display charts, show summaries, graphs, relationships, diagrams and process steps **-**It can sometimes be difficult to focus
Charts/Flip Charts	-A flip chart is a board with a paper attached at the top and can be flipped over to present information sequentially -Charts can be used for a small group -Used to summarise discussions -Record ideas and feedback given by the group --it does not need electricity and therefore cheaper visual aid. -Management may show the organisations' structure in the form of an organisational chart.
Graphs	**-**Graphs summarise information and communicate trends and patterns -There are different types of graphs and each is suited to a particular purpose. **Types of graphs** **-**Line graphs: used to show changes over time. -Bar Graphs: Show a change of something over time and show comparisons between different groups -Pie Charts: show how something is divided into different parts
Tables	-Useful in summarising and showing statistical information clearly -Tables present detailed information
Diagrams & illustrations	-They make it easier for the reader to follow by showing relationships within an organisation

8 Advantages of using visuals

- Data is summarized and presented visually
- Capture the audience attention and keep them interested
- Help audience to easier understand the presented information
- Information is easily communicated to the audience.
- Statistically information is simplified

9 The purpose of audio-visual aids

- They add value and clarity of the presentation.
- They make the presentation more interesting and memorable.
- Visual aids reinforce what the presenter has said.
- They create an atmosphere such as showing videos.
- Helps get the message across more easily.
- Keeps the audience engaged during the presentation.
- They add power and punch to the presentation
- Enhance presentation
- Create excitement
- Help the audience to remember the presentation

10 Factors to consider when preparing/designing a presentation

- The presenter should keep the following points in mind during preparation:
  - Use large, clear fonts that are easy to read
  - Use outlines on slides and keep detailed explanations for the verbal presentation
  - Limit each slide to five or six lines
  - Make sure the grammar is correct
  - Proofread carefully
  - End with a closing message that the audience will remember.
  - Be colourful and grab attention
  - Be meaningful and appropriate
  - Select a suitable background
  - Avoid long sentences and keep it simple
  - Avoid fancy decorations

CHAPTER 13

NOTES ON BUSINESS PLAN

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Explain the importance of a business plan.
- Analyse the challenges of the macro environment using pestle analysis.
- Outline the components of a business plan.
- Explain the purpose of the executive summary and outline aspects that must be included in the executive summary.
- Formulate the vision/mission statements and goals of the envisaged business.
- Explain the relationship between the structure of the business and forms of ownership.
- Outline/mention different types of legal requirements of a business.
- Compile a swot analysis for the envisaged business.
- Explain the importance of a marketing plan and market research.
- Explain the meaning of a marketing mix with specific reference to the 7p's.
- Identify the 7p's from given case studies/scenarios/statements/cartoon.
- Identify competitors from doing a market research and explain the strategies that you will use to overcome competition in the market.
- Formulate a financial plan including a balance sheet

TERMS AND DEFINITIONS

TERMS	DEFINITIONS
Business Plan	A document that outlines all the important facts, processes and procedure of the business.
Cover Page	Indicates the name of the entrepreneur, name of the business, the logo, address and contact details of the business.
Index page	The list of all sections of the business plan and page numbers of each section.
Executive Summary	The summary of the entire business plan
Description of the business	The description of the product/service and the unique features of the business
Vision	The long -term future goal of the business
Mission Statement	The activities the business will do in order to achieve its goal
Legal Requirements	Legal documentation such as licenses, permits and tax regulations that must be complied with before the business can start operating.
SWOT Analysis	The analysis of the strengths, weaknesses, opportunities and threats of the business.
Marketing Plan	A strategy /plan of how the business is going to sell its product/service
Market Research	The action of gathering information about consumers' needs and preferences.

1 The meaning of a business plan

- A business plan is a written description of a prospective business
- It explains how the prospective business owner will obtain funding
- Analyse potential strength, weaknesses, opportunities and threats
- Describes how the business will deal with threats and market its goods/service
- It is prepared for presentation to any interested stakeholder e.g. the bank manager usually requests a business plan when the entrepreneur applies for finance and refers to the business plan before granting him/her a loan.
- The business plan includes, among others, the marketing and financial plans.
- It is a good idea to show data in tables and graphs to make the plan easier to understand.

2 Importance of a business plan

- A business plan helps entrepreneurs to set goals and objectives.
- Can be used to attract investors and prospective employees.
- Helps stakeholders to understand the role they play in the business and encourages them to contribute effectively.
- Guides the entrepreneur on the viability of his/her business idea.
- Helps the entrepreneur to identify problems that may arise and helps management to take steps to avoid these problems.
- Improves business operations processes and practices.
- Evaluates the success of the business.
- It is essential when applying for financial assistance from investors or lenders.
- Compels an entrepreneur to arrange his/her thoughts in a logical order.
- Gives direction once the business is operating.
- Helps the entrepreneur to face threats head-on and deal with them.

3 Challenges of the macro environment using PESTLE analysis

- Entrepreneurs should look at the factors that could have a negative impact on their businesses.
- Businesses do not have control over the elements/features of the macro environment
- Businesses use A PESTLE analysis to scan the environment.
- A PESTLE analysis enables business to identify challenges that are posed by the following external factors: physical, economic, social, technological, legal and environmental factors.

4 Components of a business plan

- Cover page
- Contents page/Index
- Executive summary
- Description of the business/Overview
- SWOT analysis
- Legal requirements of business
- Marketing plan
- Operational plan
- Financial plan
- Management plan
- Competitor analysis

Explanation of the components of a business plan

COMPONENT	CONTENTS AND FEATURES
Cover page	• It contains the following information: o The name of the business o Contact details of the owner(s)and address o The logo o Type of the business • A copyright disclaimer to protect the contents of the plan
Contents page/Index	• It gives a title and page number of each subsection of the plan. • Allows the reader to find the information in the document
Executive summary	• Detailed summary of the entire business plan • It is written after the business plan has been completed, but appears at the front to provide users with a brief overview before reading the details
Description of the business/Overview	• Describes the product/service and unique features of a product • Discusses the long-term objectives/mission/vision of the business. • Indicates the form of ownership • Description of the product /service which the business offer • Includes the legal requirements of the business
Legal Requirements	• Provides legal requirements that the business need to comply with before it can start operating. **NOTE: Refer to types of legal requirements below**
SWOT analysis	• Major strengths and weaknesses of the business • Opportunities and threats in the external environment • A SWOT analysis is an indication that research was conducted to support the establishment of a business.
Marketing plan	• This is the most important component of the business plan • It gives details of the seven Ps of marketing
Operational plan	• Includes where the business will be located • Describes the daily operation of the business • Includes a description of a product, how and where it will be manufactured. • Provides details of the equipment and suppliers
Financial plan	• Records details of how much capital is required and how it will be raised • Contains projected statements of profit, loss and cash flow
Management plan	• Outlines who will be in charge of running the business as well as skills of the entrepreneur and other in the business. • Discusses the hierarchy and roles of the employees
Competitor analysis	• Description of competitors in the market and their products • Details of competitors' marketing strategy and its effect on a proposed business

5 Executive summary

5.1 Purpose of the executive summary

- It is included to satisfy those who do not have time to go through the entire plan in detail.
- Most lenders and investors read it first before the entire business plan. It gives readers an idea of what is contained in the business plan

5.2 Aspects that must be included in the executive summary

- The form of business enterprise
- The main business activity
- Information about the owner of the business
- The way in which capital will be obtained

6 The vision/mission statements/goals and objectives

6.1 The vision statement

- A statement which describes how the business will achieve its purpose
- The vision statement is the long-term goal of how entrepreneurs see their business in future and how they want to grow.
- It addresses profit, growth, purpose and stability

6.2 The mission statement

- A statement which describes the purpose of the business and explains why the business exists.
- The mission statement addresses how entrepreneurs hope to achieve their vision.
- It focuses on a business operation and it also specific and measurable
- The short-term objectives are more specific stepping stones to reach short term goals in order to achieve the long term goals.

6.3 Goals and objectives

- The long term objectives is to provide direction for the company to achieve the vision.
- It is also specific and measurable just like the mission statement

7 The relationship between the structure of the business and forms of ownership

- The business structure should have a description of the following aspects:
    - How many people the business intends to employ
    - Management and staff e.g. their qualifications, experience, job description and remuneration
    - Administration and record keeping
    - Staff policy regarding working hours, fringe benefits, overtime, sick leave and medical aid.
- The structure of the business should include the type of ownership such as sole trader/partnership/close corporation/ private company/public company
- The form of ownership will determine the following:
    - The reason for the form of ownership
    - Legal requirements of the business
    - Products and services offered.
    - Size of the business
    - Number of owners required
    - How much control the owners want
    - Legal protection

8 Types of legal requirements of a business

- A business needs to be registered before it can obtain finance or start doing transactions
- A business needs to comply with the following types of legal requirements:
  - Trading Licenses and permits to operate legally
  - Taxation regulations
  - International trading /Exporting & Importing requirements/ Exchange rates
  - Registration fees.
  - Registration
  - Basic conditions of Employment Act
  - Labour relations Act
  - National Credit Act
  - Environmental Conservation Act
  - Patents and copyrights

9 Importance of a marketing plan and market research

9.1 Importance of a marketing plan

- It is a description of the market analysis including the target market.
- It includes the analysis of the target market, customer and competition
- Explains the marketing mix and provides the marketing strategy of the business
- Guides businesses on how to advertise their products/services
- Describes the proposed prices of goods and services

9.2 Importance of a market research

- It is a process to understand more about customers' needs
- The target market refers to the people who are likely to buy the product or service offered by the business
- The business must conduct market research to know about the following factors of the target market: age group, gender, personality, income and education
- The methods of conducting market research include surveys, interview and questionnaires.
- The results of the market research is important as it will indicate whether the target market shows interest in the goods and services the proposed business aims to offer.

10 The Meaning of marketing mix with specific reference to the 7p's

- The marketing plan can be explained by using seven elements.
- There are four main elements and three additional elements
- A marketing mix is a combination of product, price, place, people, promotion, process and physical environment.
- The above-mentioned aspects are usually referred to as 7ps.
- The reason for extending the 4ps to the 7ps is because of the growth of the service industry.
- Once the target market has been identified, the business must work out the marketing mix that best satisfies the needs of the target market

10.1 Product/Service

- It is a description of the product, appearance, and usage
- It can be a picture, drawing or photograph of what the product look like
- The manufacturing process used to make the product
- The product/services must be different from competitors' products
- The packaging of the product

10.2 Price

- The price of a product refers to the amount of money that must be paid by the consumer to obtain the product.
- The proposed business must include its pricing policy in the business plan
- The pricing policy describes the way in which the price is used to attract customers
- The price needs to cover all costs and must appeal to the target market
- It must be affordable for the consumers
- Good access to the product/service will increase sales
- Cash or credit facilities may affect the customer's attitude to the price
- Customers may be aware of other sellers who are selling the same products for less.

10.3 Place/Distribution

- The location where goods and services are sold
- Place where consumers can access the goods or service
- The business can sell the product directly to customers itself or can market the product through other businesses
- Businesses may use the following channels of distribution:
    - Direct selling: manufacturer sell directly to consumers
    - Door to door selling: Businesses employ salespeople to sell door to door and they carry few stocks with them
    - Mail Order: Large businesses print catalogues that can be used by consumers to order of their choice. Small businesses advertise in local paper inviting consumers to buy direct from the business
    - Telephone selling: The business employ people who phone members of the public and try to persuade them to buy their goods
    - Internet: businesses uses systems in the internet to allow customers to order their shopping online and have it delivered to the door

10.4 Promotion

- Refers to how the business is going to make its target market aware of its product or service
- The proposed business must include detail about its promotion policy.
- The promotion policy must describe how sales of products will be promoted.
- Outlines the following methods of advertisements:
    - Advertising through the radio, magazines, press, television etc.
    - Special offers
    - Trial products such as free sample for testing
    - Free gifts
    - Direct mailing
    - Online marketing
    - Social media
    - Public relations
    - Brand awareness

10.5 People

- Refer to employees, management, directors and shareholder/All people involved in selling the products.
- The business plan must include detailed information of people that will be involved in the proposed business.
- They can affect the business with their knowledge, skills and attitudes.

10.6 Process

- Refers to processes that are designed and implemented to ensure a pleasant shopping experience
- Describes the way in which the marketing and sales processes are carried out
- The process of giving a service and the behaviour of those delivering the service are important for customer approval. Staff need to keep customers happy
- Examples of systems and processes that will ensure a good customer experience:
  - Systems and processes to ensure that consumers do not wait long in cues/for goods delivered
  - Systems and processes to make sure telephonic messages are dealt with and delivered to the right person.
  - Systems and processes to ensure that e-mailed messages are read.

10.7 Physical environment

- Refers to the environment where goods and services are sold/service rendered.
- It includes the appearance of the building and the uniforms of employees
- The physical environment must be appropriate and make the customer feel comfortable
- Clean and functional facilities attract and retain customers
- Well decorated reception also helps to reassure customers that the business offers best services and values their customers.

11 Strategies to overcome competition in the market

- The business should use the following strategies to overcome competition in the market:
  - Sell quality products and services
  - Offer after-sales services
  - Charge reasonable prices
  - Conduct intensive marketing campaigns
  - Make use of clever advertising slogans
  - Make your product unique
  - Provide attractive product displays

12 Financial plan including a balance sheet

- It is a detailed description of the entrepreneur's financial contribution, the funding requirements, projected cash flow statements for a three-year period.
- The purposes of financial analysis is to project/predict the profitability of the proposed business and also to project how long it will take before the busines starts to show a profit.
- A Financial plan includes the following elements

ELEMENTS	DESCRIPTION
Budget	• Monthly indication of projected flow of cash in and out of the business • Helps the owner to control the spending money by comparing the actual income and expenditure.
Cash flow statements over a three-year period	• Refers to cash flowing in and out of the business • Helps the owner to identify operational difficulties the business is going to experience and any need for more finance
Income statement	• A monthly account of sales and expense • Shows profit and loss.
Break-even point	• A point at which profits are equal to expenses/ A business does not show profit nor loss • Shows how much the business sold to cover all expenses before making a profit
Balance sheet	• A list of all business assets, liabilities and owners 'Equity at a specific point in time • Assets include land, buildings, equipment, vehicles, money in bank account • Liabilities are monies owed to other people or businesses such as bank loans, buying on credit, bank overdrafts etc • Owners' equity-is the difference between the total liabilities and total assets.

TERM 4

CHAPTER 14

RELATIONSHIPS AND TEAM PERFORMANCE

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Outline/Mention/Define the meaning of business objectives
- Explain/Discuss the benefits of good teamwork.
- Recommend/Suggest ways in which businesses can create an environment where teams can operate effectively.
- Explain the meaning of interpersonal relationships in the workplace with specific reference to different hierarchies/management levels/the importance of each individual in achieving business objectives
- Identify factors that can influence team relationships from given scenarios/case studies.
- Discuss/Explain/Describe factors that can influence team relationships e.g. prejudice, discrimination, equity, diversity.
- Recommend/Suggest ways businesses can address factors that can influence team relationships
- Outline/Mention/Discuss/Explain/Describe the criteria for successful team performance
- Assess yourself against the criteria for successful, collaborative team performance
- Identify/Evaluate the criteria for successful team performance from given case studies/scenarios and make recommendations for improvement.
- Evaluate the criteria for successful team performance from given case studies/scenarios and make recommendations for improvement.

TERMS AND DEFINITIONS

TERM	DEFINITION
Business objectives	The aims and goals of a business
Strategies	Actions that business takes in order to achieve the business objective
Values	Principles or standards of behaviour a person's judgement of what is important in life
Team	A group of people that work together towards a shared common goal
Hierarchy	Ranking of people by position and levels of authority in the business
Organisational structure	A chart that outlines levels and positions of employees in the business
Benefits	Advantage gained
Ethics	Set of moral values of an individual or group
Diversity	Very different from one another in terms of culture, background, religion etc
Equity	Treating people fairly and equally regardless of their differences.
Prejudice	To judge people based on characteristics such as gender, culture, religion and colour.
Discrimination	Treating people from different groups unfairly
Collaboration	Working together with other people

1 The meaning of business objectives

- Business objectives refer to the reason why the enterprise exists.
- The main objective of any business is to make a profit

1.1.1 Types of business objectives

Increased profit

- Profit is the difference between business's income and expenditure
- Businesses can make a maximum profit by minimising expenses and maximising revenue
- Profits are needed for the business to expand /replace/reward employees with bonuses and increases in salaries and wages.

Increased productivity

- Productivity is the amount of work an employee can deliver in a limited period.
- High productivity means that a business can produce more products/provide services to more clients.
- Productivity means producing more without increasing costs.
- The more that products are sold/made without changes in costs, the more profit will be made.

Increased sales

- Increasing the number of items sold will mean an increase in total profits at the end of the year.

Survival

- This objective usually applies to when a business is just starting up or when there has been a crisis.
- During a recession, for example, the business may just want to survive and not have to retrench any staff.

Growth in market share

- The market is made up of the people who purchase the products of the business.
- Every business selling the same product will attract a percentage of the market.
- The business my make it their objective to increase their share of the market and eventually become a leader in their industry.

Service

- This objective is aimed at providing quality services to customers.
- The sales service that a business renders to its customers can give a business a competitive advantage.
- Businesses who provide quality services usually have a good public image and attract more customers.

2 Benefits of teamwork

- The members of the team learn from each other and grow.
- The team achieves more than the individual.
- Good teamwork helps business to achieve their objectives.
- Businesses are more productive.
- The performance of all team members improves because they support each other's skills.
- Teamwork encourages workers to increase their range of skills.
- Gives employees more control over their jobs.

3 Ways in which businesses can create an environment that enables teams to work effectively

- The business should listen to employees when they share ideas.
- Make important decisions through a process of teamwork.
- Rewards and mistakes must be viewed as opportunities to learn and grow.
- Keep the communication channels open, facilitate participation and make suggestions for discussion.
- Acknowledge the strengths of employees rather than being threatened by them.
- Encourage cooperation and make employees accountable for their work.
- Observe and understand the emotions of others in the group.
- Ensure that employees are working towards the same goal
- Give employees the same respect regardless of their positions

4 The meaning of interpersonal relationships in the workplace

- A business objective may be achieved by employees in the workplace.
- Working relationships/employees' circumstances/values/beliefs can impact on a business's performance.
- The degree of power and authority that managers possess depend on the level of management
- Each individual plays a role in achieving business objectives.
- The quality of interpersonal relationship in the workplace has a direct influence on employees' levels of motivation and satisfaction.
- The following factors may impact on the quality of interpersonal relationships in the workplace:
  - The style of management and the type of management structure in the business
  - The personal beliefs and attitudes of employees
  - The patterns of communication in the workplace

5 Factors that can influence team relationships and ways in which businesses can address these factors

Factors	Explanation of each factor	Ways in which businesses can address factors that influence team relationships.
Prejudice	• Prejudice is when disliking a person without any concrete reason. • Prejudices are based on gender/religion etc. • It is very difficult to work with a person who has strong opinions that are not based on facts. • Prejudice affects relationships between employees/team members and make the working environment tense and unpleasant. • The personal attitudes and prejudices of managers and other staff can result in discrimination and can wear down good communication and teamwork in the workplace.	• Educate all your workers about discrimination. • Encourage workers to respect each other's differences. • Respond to any evidence or complaints of inappropriate behaviour. • Deal with any complaints of discrimination promptly and confidentially

Discrimination	• Discrimination involves excluding or restricting members of one group from opportunities that are available to other groups. • Discrimination is based on religion, age, ethnicity, gender, disability, skin colour, or race. • Discrimination in the workplace can lead to industrial action.	• Identify signs of discrimination • Avoid favoritism and nepotism • Keep your personal beliefs personal. • Be careful of what you say and to whom you say it. • Develop policy against discrimination and the consequences thereof
Equity	• Equity in a workplace means everyone receives fair treatment. • Equity means all people have equal access to opportunities. • Unfair treatment of employees hampers the achievement of objectives in the business.	• Develop a fair/respectful /supportive/ inclusive workplace. • Make judgements based on merit and fairness. • Recognise every person's contributions
Diversity	• A diverse workforce includes people with different characteristics. • Diversity in the workplace means employees are different in terms of gender/age/religion/race/ ethnicity, cultural background/sexual orientation, religion, languages/education, abilities, etc.	• Create inclusive policies and practices. • Provide diversity training on how to employees can deal with diversity issues • Facilitate effective communication and encourage employee interaction in the workplace • Focus on employees' strengths and similarities

6 Criteria for successful team performance

6.1 Clear objectives and agreed goals

- Each member of the team must understand the purpose of the team and what they are meant to achieve.
- The goals and objectives must be clear and measurable
- Team members must be aware of the timeframe in which the objectives must be achieved.

6.2 Interpersonal attitudes and behaviour

- Members have a positive attitude of support and motivation towards each other.
- Sound interpersonal relationships will ensure job satisfaction and increase productivity of the team.
- Members are committed and passionate towards achieving a common goal.
- Team leader gives credit to members for positive contributions.

6.3 Mutual trust and respect

- Team members must respect other team members' skills and experience
- Mutual respect encourages each person to voice their opinions/ideas without fear of being ridiculed.
- Team members must trust each other and believe that each member of the team will do their work to the best of their ability.
- A team must be able to solve conflict and disagreements by communicating and respecting each person's point of view.

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6.4 Communication

- Communication must be open and honest
- Each team must feel free to speak and ask questions
- All information must be shared
- Good communication between team members may result in quick decisions.
- Quality feedback improves the morale of the team.

6.5 Co-operation / Collaboration

- Clearly defined realistic goals are set, so that all members know exactly what is to be accomplished.
- Willingness to co-operate as a unit to achieve team objectives.
- Co-operate with management to achieve team objectives.
- Agree on ways to get the job done effectively without wasting time on conflict resolution.
- All members take part in decision making.
- A balanced composition of skills, knowledge, experience and expertise ensures that teams achieve their objectives.

6.6 Review of the team process

- Team members must stop regularly and examine how well they are doing.
- They must review difficulties and obstacles so that they can find solutions.

6.7 Opportunity for individual development

- It is important that each team member is able to share and learn new skills
- Each team should have an opportunity to lead a meeting

7 Assessing yourself against the criteria for successful team performance

- A team should use the criteria for a successful team as the base for their assessment.
- Each team member should ask him/her the following questions.
  - Is the team achieving the goas/objectives?
  - Are team members able to resolve conflict and put the job first
  - Are they sharing information in order to get the job done in the best possible way?
  - Does each member recognise the value of other members?
  - Is the team leader happy with the results of the team effort?
  - Does each team member know their role in the team?

NOTE the following aspects regarding the criteria for successful team performance
You must be able to:

- Identify the criteria for successful team performance from given scenarios and motivate your answer by quoting from given scenarios
- Evaluate the criteria for successful team performance from given scenarios and make recommendations for improvement.