



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

BUSINESS STUDIES

GRADE 12

REVISED NOTES TERM 1

TAKE NOTE:

- This document should serve as a resource to guide teaching and learning of Business Studies in Grade12.
- It does not replace the CAPS policy document; it was developed to support Business Studies Grade 12 teachers and learners.
- The content/notes are aligned to 2023/24 Annual Teaching Plan, 2021 Examination Guidelines and recent addendums (2023)
- Previous NSC & SCE papers, textbooks, examination guidelines and other sources relevant to the subject were used.

TERM ONE

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PAPER 1
BUSINESS ENVIRONMENTS
TOPIC 1: THE IMPACT OF RECENT LEGISLATION ON BUSINESSES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

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

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

- Distinguish/Differentiate between Black Economic Empowerment (BEE) and the BBBEE Act.
- Explain/Discuss the implications of the following revised FIVE pillars of BBBEE on businesses.
 - Management control
 - Ownership
 - Enterprise and supplier development (ESD)
 - Skills development
 - Socio-economic development/Social responsibility
 - Name/Identify BBBEE pillars from scenarios/case studies
- Name/Identify BBBEE pillars from scenarios/case studies.
- Recommend/Suggest ways in which businesses could apply the revised FIVE pillars of BBBEE in the workplace.

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

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

TERMS AND DEFINITIONS

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

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

Introduction

The different legislation that discussed below were **promulgated**/established post-1994. The primary purpose of the different legislation is to address the multiple **injustices** and **discriminatory** laws of apartheid.

These legislations will ensure actions of equality and fairness for all South Africans and has been developed in response to the demands for **redress and equity** in South Africa. Through the effective implementation of the various requirements stipulated in the legislation, the lives of previously disadvantaged people may significantly improve.

New words

promulgated the process of passing legislation in

parliament so that it becomes an official law in South Africa

injustices unfair actions that violate human rights

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

redress to address the injustices/violations of apartheid

equity fair and equal treatment in the workplace/society

THE SKILLS DEVELOPMENT ACT (SDA) (NO. 97 OF 1998)

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

Purpose of the Skills Development Act

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

Impact of the SDA on businesses

Positives/Advantages

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

AND/OR

Negative/Disadvantages

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

Actions regarded as non-compliance by the SDA

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

Penalties for non-compliance

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

Ways in which businesses can comply with the SDA

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

Role/functions of SETAs

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

Funding of SETAs

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

Meaning of learnership

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

- Includes a training course with learning material as well as practical work experience.

Meaning of National Skills Development Strategy (NSDS)

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

Meaning of Human Resource Development Strategy (HRDS)

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

THE LABOUR RELATIONS ACT (LRA) (NO. 66 OF 1995)

INTRODUCTION

The LRA provides a framework that regulates the relationship between employees and employers in the workplace. It promotes sound relations between trade unions and employer organisations. The Act also promotes democracy in the workplace through the prevention of unfair labour practices. Effective implementation of the LRA and fair labour practices can contribute to improved efficiency in business operations with minimal disruptions.

Purpose of the Labour Relations

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

The rights of employers and employees according to LRA

Rights of employers

- **Form employer organisations to represent them in labour related matters.**
- Form bargaining councils ✓ for collective bargaining purposes. ✓
- Lockout employees ✓ who engage in unprotected/illegal strike/labour action. ✓
- Dismiss employees who engage in an unprotected strike/misconduct ✓ such as intimidation/violence during a strike action. ✓
- Not pay/remunerate an employee who has participated in a protected strike ✓ for services/work they did not do during the strike. ✓

Rights of employees

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

Impact of the LRA on business

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Reduced global competitiveness due to lower productivity
- Productivity may decrease if employees are allowed to participate in the activities of trade unions during work time.
- Costs of labour increases because of legal strikes.
- Employers may not get a court interdict to stop a strike.
- Employers may have to disclose information about workplace issues to union representatives that could be the core of their competitive advantage.
- Employers may not dismiss employees at will, as procedures have to be followed.

- Many employees take advantage of the right to strike without acknowledging their responsibilities.
- Many employees and employers do not understand/respect the Labour Relations Act.
- Strike actions always result in loss of production for which employers may not claim.
- Some trade unions may not promote the mandate of their members but embark on industrial action, which is harmful to labour relations between employers and employees.
- Some businesses may feel that the LRA gives employees too much power as it creates lengthy procedures, e.g. consulting with workplace forums.
- Labour disputes and bargaining council processes become disruptive/ time consuming and can lead to a decrease in productivity in businesses.

Actions regarded as non-compliance by the LRA

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

Penalties for non-compliance with the LRA

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

Ways in which businesses can comply with the LRA

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

THE EMPLOYMENT EQUITY ACT (EEA) (NO. 55 OF 1998)

INTRODUCTION

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

Purpose of the EEA

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

Impact of the EEA on business

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Expensive to train/employ someone who knows little about the Act.
- Fines/Penalties for non-compliant businesses may be expensive for the business.
- Diversity in the workplace may lead to conflict/unhappiness.
- Often positions go unfilled because there are no suitable EE candidates.

- Skilled people from designated groups may demand higher salaries which increase salary expenses.
- Job hopping of skilled/trained EE appointees may increase staff turnover.
- Increased administration burden, as businesses must compile/submit employment equity reports every two years.
- Employers have to appoint one or more senior managers to ensure the implementation of the plan, which increases salary expenditure
- Businesses must submit a compliance certificate before they can conduct business with state businesses
- Businesses are sometimes pressurised to appoint an unsuitable EE person to meet EE requirements.
- Other groups may not respect the knowledge/skills/experience of an EEA appointment and it may lead to conflict.

Penalties for non-compliance with the EEA

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

Actions regarded as non-compliance by the EEA

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

Ways in which businesses can comply with the EEA

- Businesses must guard against discriminatory appointments.
- Promote equal opportunities and fair treatment
- Implement an employment equity plan.
- Implement affirmative action measures to redress disadvantages experienced by designated groups.
- Reasonable accommodation of people from designated groups
- Ensure that there is equal representation of all racial groups in every level of employment.
- Compile employment equity plans that indicate how they will implement affirmative action.
- Ensure that affirmative action measures promote diversity in the workplace.

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

THE BASIC CONDITIONS OF EMPLOYMENT ACT (BCEA) (NO. 75 OF 1997)

INTRODUCTION

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

Purpose of the BCEA

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

Impact of the BCEA

Positives/Advantages

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

- Employees may submit complaints to labour inspectors who can address it.

AND/OR

Negative/Disadvantages

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

Actions regarded as non-compliance by the BCEA

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

Penalties businesses may face for not complying with the BCEA

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

Ways in which businesses can comply with the BCEA

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

PROVISIONS OF THE BCEA

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

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

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

Overtime

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

LEAVE: THIS INCLUDES ALL TYPES OF LEAVE

Types of leave

Annual leave

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

Sick leave

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

Maternity leave

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

Parental/Paternity leave

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

- Commissioning parental leave is only applicable to surrogate motherhood where one parent is entitled to ten (10) weeks commissioning parental leave to take of the child, while the other parent is entitled to ten (10) consecutive day's normal parental leave.

Family responsibility leave

- Three to five (3 to 5) days paid leave per year on request in the event of the death of the employee's spouse/life partner/parent/ adoptive parent/ grandparent/child/adoptive child/grandchild/sibling.
- An employer may require reasonable proof, before granting this leave.

Meal breaks and rest periods

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

Public holidays

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

Particulars of employment and remuneration

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

Termination of employment

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

Prohibition of employment of children and forced labour

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

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

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

Purpose of COIDA

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

Impact of the COIDA on businesses

Positives/Advantages

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

AND/OR

Negative/Disadvantages

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

Actions regarded as non-compliance by the COIDA

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

Penalties for non-compliance with COIDA

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

Ways in which businesses can comply with the COIDA

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

THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT (BBBEE) (NO. 53 OF 2003, AS AMENDED IN 2013)

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

Purpose of BBBEE

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

Differences between Black Economic Empowerment (BEE) and Broad Based Black Economic Empowerment (BBBEE)

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

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

BBBEE PILLARS

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

Implications of the revised BBBEE pillars on businesses

- NOTE:1. The word “implication” in this context means “what businesses should do in order to comply with this Act and what are the things that are preventing them from implementing this Act.**
- 2. The last sentences of EACH pillar speak to things that prevent businesses from implementing the pillar**

Management control

Implication of management control on businesses

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

Ways in which businesses could apply management control in the workplace

- Business must ensure that transformation is implemented at all levels.
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- Involve black people in the decision-making processes.
- Ensure that black females are represented in management.
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Skills development

Implication of skills development on businesses

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

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Ownership

Implication of ownership on businesses

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

Ways in which businesses could apply ownership in the workplace

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- Large businesses should form joint ventures with small black owned businesses and share business risks

Enterprise and supplier development (ESD)

Implication of Enterprise and supplier development (ESD) on businesses

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

Ways in which businesses could apply ESD in the workplace

- Business must create jobs as ESD promotes local manufacturing.
- Identify black owned suppliers that are able to supply goods and services.

- Outsource services to suppliers that are BBBEE compliant.
- Businesses are encouraged to invest/support black owned SMMEs.
- Develop the business skills of small/black owned suppliers, e.g. sales techniques, legal advice, etc.
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Social responsibility/Socio-economic development

Implications of social responsibility/socio-economic development on businesses

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

Impact of the BBBEE on businesses

Positives/Advantages

- Encourages businesses to address the demands for redress/equity directly.
- Provides a variety of business codes to improve employment equity.
- Provides for human resources development through training and development.
- A good BEE rating improves the image of the business.
- Fronting is discouraged, as it may lead to the disqualification of a business's entire scorecard/BBBEE status.
- Promotes enterprise development, by developing entrepreneurial skills of designated people to start their own businesses
- Businesses that comply with BBBEE regarding the pillars will be rated high on the BEE scorecard/may get government tenders/may attract other BBBEE business partners/-suppliers.
- Businesses will have a good overview on how it is performing in comparison to other businesses in the rest of the country.
- By focusing on BBBEE, the business will show commitment towards the social/education/economic developments in the community/country.
- Once rated, the business will understand how to develop BBBEE strategies that will increase its BBBEE ratings on an annual basis.
- Share prices of BBBEE compliant businesses are likely to increase as they attract more business.
- Businesses that support Small, Micro, Medium Enterprises (SMMEs), may increase their own BBBEE ratings
- Complying with BBBEE requirements gives businesses experience/exposure to be able to provide better employment opportunities/staff development.

AND/OR

Negative/Disadvantages

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

Actions regarded as non-compliance by the BBBEE

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

Penalties for non-compliance with the BBBEE

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

Ways in which businesses can comply with the BBBEE

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

NATIONAL CREDIT ACT (NCA) (NO. 34 OF 2005)

INTRODUCTION

The NCA governs the assessment, application and maintenance of credit granted by a credit provider to a consumer within the Republic of South Africa. It was promulgated/established to curb high levels of consumer debt, and to promote responsibility in making informed decisions before buying on credit. It also prevents the reckless granting of credit to consumers. The NCA put measures in place to ensure that consumers do not become over-indebted. Furthermore, it has resulted in the establishment of the National Credit Regulator (**NCR-the regulatory body that applies the NCA, educates consumers about their rights, and monitors, administers and ensures adherence of the NCA and the credit industry**)

Purpose of the NCA

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

Consumer rights in term of the NCA

Consumers have a right to:

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

Impact of the NCA on businesses

Positives/Advantages

- Lower bad debts resulting in better cash flow.
- Protects businesses against non-paying consumers.
- Authorised credit providers may attract more customers.
- Leads to more customers through credit sales as they are now protected from abuse.
- Prevents reckless lending and prevents businesses from bankruptcy.
- Increases cash sales as credit can only be granted to qualifying customer.

- The whole credit process is transparent e.g. both businesses and customers know their responsibilities.
- Businesses do thorough credit checks and receive up-to-date documentation from the consumer as proof that they can afford the repayment.
- **Credit bureau information** is made available to businesses so that they can check the credit worthiness of consumers before granting credit.

AND/OR

Negative/Disadvantages

- **Businesses can no longer carry out credit marketing.**
- **Businesses struggle to get credit such as bank loans/overdrafts**
- **Businesses that do not comply with the NCA may face legal action.**
- **Debt collection procedures are more complex and expensive.**
- **Fewer customers buy on credit as it is more difficult to obtain credit.**
- **Increases the administration burden on credit providers/The paperwork and administrative process required by the act are costly and time consuming.**
- Leads to loss of sales as many consumers may no longer qualify to buy on credit.
- The business needs to appoint additional staff to deal with the extra administration.
- Should the credit agreement be declared reckless the business can forfeit the outstanding debt and the goods.
- Businesses that are official credit providers, must submit a compliance report every year.
- A business must make sure that all attempts have been made to recover the debt before blacklisting the customer.
- Credit providers cannot collect from consumers who are under debt reviews.
- More working capital is needed as businesses cannot sell many goods on credit due to stricter credit application processes.

Actions regarded as non-compliance by the NCA

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

Penalties/consequences for non-compliance with the NCA

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

Ways in which businesses can comply with the NCA

- **Offer applicants pre-agreement statements.**
- **Disclose all costs of loan/No hidden costs should be charged/added**
- **Obtain credit records/checks of clients before granting loans.**
- **Businesses should be registered with the National Credit Regulator.**
- **Submit an annual compliance report to the National Credit Regulator.**

- Conduct affordability assessment to ensure the consumer has the ability to meet his/her obligation.
- Conduct credit check with a registered credit bureau and consult with National Credit Register.
- Businesses must have procedures in place to comply with the provision of the Financial Intelligence Centre Act (FICA).
- Credit providers must have procedures in place to comply with the provision of the Financial Intelligence Centre Act (FICA).
- Verify the identity of clients, report suspicious transactions/train staff on their obligations in terms of FICA.

CONSUMER PROTECTION ACT (CPA) (NO. 68 OF 2008)

INTRODUCTION

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

Purpose of the Consumer Protection Act

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

Consumer rights of the Consumer Protection Act

Right to choose

Consumers have the right to:

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

Right to privacy and confidentiality

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

Right to fair and honest dealings

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

Right to disclosure and information

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

Right to fair/responsible marketing/promotion/ fair and honest dealing

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

Right to accountability from suppliers

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

Right to fair/just/reasonable terms and conditions

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

Right to equality in the consumer marketplace

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

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

- Goods that are unsafe/ defective may be replaced by the supplier.

- Faulty items may be returned for a full refund.
- They may return faulty items if the fault occurs within six months after purchasing the item.

Right to complain

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

Right to fair value, good quality and safety

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

Right to fair value/good quality/safety

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

Impact of the CPA on businesses

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Confidential business information may become available to competitors.
- Penalties for non-compliance may be very high.
- Businesses may feel unnecessarily burdened by legal processes.
- They have to disclose more information about their products and processes/services
- Staff need to be trained /Legal experts need to be consulted, which can increase costs
- Many business documents need to be simplified /revamped at extra cost as consumers have a right to receive contracts in simple/understandable language.
- Administration costs increase as legal contracts need to be worded in plain language /pitched at the level of the consumer
- Businesses may need insurance against claims from consumers /provisions in the Act increase risks for unforeseen claims and lawsuits.
- Businesses have to replace/repair faulty items/refund money if the fault occurs within six months after purchase.
- Supply chain management in stock levels will have to change, as defective goods have to be replaced within six months at the request of the consumer.
- Information technology systems need to be improved as the retailer must keep more detailed records of interactions with consumers /be able to report to the National Consumer Commission.

- Consumers can take advantage of a business and return goods when it is not necessary to do so.
- Processes and procedures required by CPA can be expensive and time consuming.

Actions regarded as non-compliance by the CPA

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

Penalties for non-compliance with the NCA

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

Ways in which businesses can comply with the CPA

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

PAPER 1
BUSINESS OPERATIONS
TOPIC 2: HUMAN RESOURCES FUNCTION

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

RECRUITMENT

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

SELECTION

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

INDUCTION

- Define/Elaborate on the meaning of induction.
- Outline/Explain/Discuss the purpose of induction.
- State/Outline aspects that must be included in the induction programme.
- Evaluate an induction programme from given scenarios and make recommendations for improvement.
- Discuss/Explain the advantages/benefits of induction for businesses.
- Identify the benefit of induction from given scenarios

PLACEMENT

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

SALARY DETERMINATION

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

FRINGE BENEFITS/PERKS

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

Compulsory benefits

- Explain UIF as a benefit required by law.

LEGISLATION

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

TERMS AND DEFINITIONS

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

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

INTRODUCTION

A human resources (HR) department performs human resource management functions, such as finding, screening, recruiting, training, and supporting new employees. In effect, HR departments are specifically responsible for managing a company's entire employee experience, from the moment an individual applies to a position to when they begin working, and, finally, when they leave the workplace. The HR department also responsible for keeping track of employee information, and ensuring a company complies with labour laws and employment standards. A well-managed HR department finds the right people for the job and does what it takes to keep them content and productive.

The human resource's function is responsible for a wide variety of core functions. This function plays one of the most critical roles in a business because the application of sound human resources practices and policies primarily influences the types of employees that the business employs/attracts. Several disciplines/ functions/components exist within the human resources function. These include

recruitment, selection, induction, placement, salary determination, fringe benefits and legislation. These disciplines/functions/components/activities are all aimed at achieving organisational objectives.

HUMAN RESOURCES ACTIVITIES

RECRUITMENT

Meaning of recruitment

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

Meaning of Job Analysis

- A job analysis is a tool used by the human resources function to obtain and analyse information about the business's workforce so that they can place the right person in the right job.
- A job analysis consists of job description and job specification.
- The employer must be clear about the nature of the work to be performed so that an appropriate job description and job specification can be prepared.

Recruitment procedure

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

NOTE: The procedure can be in any order

Differences between job description and job-specification

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

TYPES/METHODS OF RECRUITMENT

INTERNAL RECRUITMENT AND EXTERNAL RECRUITMENT

INTERNAL RECRUITMENT

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

Sources of Internal recruitment

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

IMPACT OF INTERNAL RECRUITMENT

Positives/Advantages

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

AND/OR

Negative/Disadvantages

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

EXTERNAL RECRUITMENT

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

Sources of external recruitment

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

IMPACT OF EXTERNAL RECRUITMENT

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Information on CV's/referees may not be reliable.
- Many unsuitable applications can slow down the selection process.
- New candidates generally take longer to adjust to a new work environment.
- External sources can be expensive, e.g. recruitment agencies' fees/advertisements in newspapers/magazines.
- The selection process may not be effective and an incompetent candidate may be chosen.

- Recruitment process takes longer/is more expensive as background checks must be conducted.
- In-service training may be needed which decreases productivity during the time of training.

SELECTION

Selection procedure

Option 1

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

NOTE: The procedure can be in any order

Option 2

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

Screening as part of the selection procedure

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

INTERVIEW

Purpose of an interview

- To determine a candidate's suitability for the job.
- Obtains information about the strengths and weaknesses of each candidate.

- Evaluate the skills and personal characteristics of the applicant
- Helps the employer in choosing/making an informed decision about the most suitable candidate.
- Matches information provided by the applicant to the job requirements.
- Creates an opportunity where information about the business and applicant can be exchanged.

Role of the interviewer when preparing/before the interview

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

Role of the interviewer and interviewee DURING the interview

Role of the INTERVIEWER during the interview	Role of the INTERVIEWEE during the interview
<ul style="list-style-type: none"> • Allocate the same amount of time to each candidate. • Introduce members of the interviewing panel to each candidate/interviewee. • Make the interviewee feel at ease. • Explain the purpose of the interview to the panel and the interviewee. • Record interviewees' responses for future reference. • Do not misinform/mislead the interviewee. • Avoid discriminatory/controversial types of questions, e.g. asking a female candidate about family planning/having children. • Provide an opportunity for the interviewee to ask questions. • Close the interview by thanking the interviewee for attending the interview 	<ul style="list-style-type: none"> • Greet the interviewer by name with a solid handshake and a friendly smile. • Listen carefully to the questions before responding. • Make eye contact and have good posture/body language. • Show confidence and have a positive attitude/be assertive. • Be inquisitive and show interest in the business. • Ask clarity seeking questions, about the job/position offered. • Show respect and treat the interview with its due importance. • Be honest about mistakes and explain how you dealt with it. • Know your strengths and weaknesses and be prepared to discuss it • Thank the interviewer for the opportunity given to be part of the interviews.

Meaning of an Employment Contract

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

Aspects that should be included in an employment contract

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

Legal requirements of the employment contract

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

Reasons for terminating an employment contract

Resignation

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

Retrenchment

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

Dismissal

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

Retirement

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

Redundancy

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

Other reasons

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

INDUCTION

Meaning of induction

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

Purpose of induction

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

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

Aspects to be included in an induction programme

- Introduction to key people and immediate colleagues.
- Safety regulations and rules.

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

Benefits of induction

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

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

PLACEMENT

Meaning of placement

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

Placement procedure

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

The importance of training/skills development in HRM

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

SALARY DETERMINATION METHODS

DISTINCTION BETWEEN PIECEMEAL AND TIME-RELATED SALARY DETERMINATION

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

LINK BETWEEN SALARY DETERMINATION AND THE BCEA

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

FRINGE BENEFITS

Examples of fringe benefits in the workplace

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

IMPACT OF FRINGE BENEFITS ON BUSINESSES

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

BENEFITS REQUIRED BY THE LAW9(COMPULSORY BENEFIT)

Unemployment Insurance Fund (UIF)

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

IMPLICATIONS OF ACTS ON THE HUMAN RESOURCES FUNCTION

Implications of the Labour Relations Act on the Human Resources Function

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

Implications of the Employment Equity Act on the Human Resources function

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

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

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

- Interpret/Implement the aims/requirements of the framework for the National Skills Development Strategy.

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

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

PAPER 2

BUSINESS ROLES

TOPIC 3: ETHICS AND PROFESSIONALISM

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must able to:

- Define/Elaborate on the meaning of ethical behaviour.
- Give practical examples of ethical and unethical behaviour, e.g., using fair vs. unfair advertising techniques, etc.
- Define/Elaborate on the meaning of professional behaviour.
- Give practical examples of professional and unprofessional behaviour, e.g., good use of work time and abuse of work time, etc.
- Outline the differences/Differentiate/Distinguish between ethical and professional behaviour.
- Explain how businesses can apply the King Code principles of transparency, accountability and responsibility for good corporate governance to improve ethical business conduct.
- Suggest/Recommend ways in which professional, responsible, ethical and effective business practice should be conducted, e.g., payment of fair wages, providing quality goods and services, not starting a business venture at someone else's expense, etc.
- Identify the following types of unethical business practices from given scenarios/statements:
 - Unfair advertising
 - Pricing of goods in rural areas
 - Taxation/Tax evasion
- Explain how the above-mentioned types of unethical business practices pose challenges to businesses.
- Recommend/Suggest ways in which businesses could deal with the above-mentioned types of unethical businesses practices.
- Identify the following types of unprofessional business practices from given scenarios/statements:
 - Sexual harassment
 - Unauthorised use of workplace funds and resources
 - Abuse of work time
- Explain how the above-mentioned types of unprofessional business practices pose challenges to businesses.
- Recommend/Suggest ways in which businesses could deal with the above-mentioned types of unprofessional business practices.

TERMS AND DEFINITIONS

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

INTRODUCTION

Many businesses create specific ethical codes that guide their operations and how their processes impact stakeholders overall. These ethics may help businesses to maintain specific standards of accountability, responsibility, professionalism and more as they navigate through challenges and different day-to-day circumstances. By maintaining these guidelines in their workplace, often experience a variety of significant benefits that can improve the lives of employees, customers, leaders and the general public.

Meaning of ethical behaviour

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

Meaning of ethics

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

Examples of ethical and unethical business practice

ETHICAL BUSINESS PRACTICES	UNETHICAL BUSINESS PRACTICES
<ul style="list-style-type: none">• Using fair advertising• Not using child labour• Treating all employees equally• Paying fair wages• Operating within the law• Business deals are conducted openly• Not engaging in illegal business practices• Ensuring that the environment is not polluted.• Adopting codes of good ethical practice.• Establishing corporative social responsibility initiatives.• Encouraging employees to adopt ethical behaviour.• Clients and employee's information is not disclosed/used for the benefit of the business.• Shareholders and employees' personal interest and business interest do not conflict with one another.	<ul style="list-style-type: none">• Unfair advertising• Pricing of goods in rural areas• Taxation/Tax evasion• Paying employees unfair wages• Disobeying the law• Using bribery to gain business• Engaging in illegal business practices• Polluting the environment• Starting a venture at the expense of someone else

Meaning of professional behaviour

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

Examples of professional and unprofessional business practice

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

Differences between ethical behaviour and professional behaviour

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

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

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

Transparency

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

Accountability

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

Responsibility

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

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

- Mission statement should include values of equality/respect.
- Treat workers with respect/dignity by recognising work well done.
- Treat all their employees equally, regardless of their race/colour/age/gender/disability etc.
- All workers should have access to equal opportunities/positions/resources.
- Plan properly and put preventative measures in place.
- Pay fair wages/salaries which is in line with the minimum requirements of the BCEA/Remunerate employees for working overtime/during public holidays.
- Ensure that employees work in a work environment that is conducive to safety/
Fairness/free from embarrassment.
- Refrain from starting a venture using other businesses' ideas that are protected by law.
- Engage in environmental awareness programmes/Refrain from polluting the environment, e.g. by legally disposing of toxic waste.
- Employers and employees need to comply with legislation with regard to equal opportunities/human rights in the workplace.
- Businesses should develop equity programmes/promote strategies to ensure that all employees are treated equally regardless of status/rank/power.
- Training/Information/Business policies should include issues such as diversity/
discrimination/harassment.
- Employers should respond swiftly and fairly to reported incidents of discrimination in the workplace.
- Orders/Tasks should be given respectfully and allow the recipient/employee to have a say in the manner in which the task should be performed.
- Business decisions and actions must be clear/transparent to all stakeholders.
- Businesses should be accountable /responsible for their decisions and actions/ patent rights.

- Hire honest/trustworthy accountants/financial officers with good credentials.
- Regular/Timeous payment of taxes
- Draw up a code of ethics/conduct.
- On-going development and training for all employees.
- Performance management systems/Appraisals should be in place.
- Adequate internal controls/monitoring/evaluation.

Types of unethical business practices and examples

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

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

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

UNETHICAL BUSINESS PRACTICE	CHALLENGES	STRATEGY/RECOMMENDATION
1. Unfair Advertising	<ul style="list-style-type: none"> • Unfair advertisements could be harmful to consumers. • The use of false or misleading statements in advertising leading to misrepresentation of the concerned product, which may negatively affect consumers. • Businesses can make unwise advertising choices when they are under pressure to increase their profits. • Some advertisements may be regarded as discriminatory because they exclude/target some sections of the population. • Deceptive advertising can violate the trust of consumers and destroy business relationships. 	<ul style="list-style-type: none"> • Business should be encouraged to keep their advertising fair and in line with the constitution. • Businesses must know and understand the Code of Advertising as determined by the Advertising Standard Authority (ASA) and apply its regulations. • Advertisements should be honest/legal and not abuse consumer's trust/lack of knowledge. • Advertisements should not contain anything that is discriminatory/likely to cause offence/support act of violence.
2. Pricing of goods in rural areas	<ul style="list-style-type: none"> • Some businesses in the rural areas exploit their customers by adding much more than necessary to their prices. • Business may form monopolies in rural areas and increase their prices unilaterally. • It may be common practice to pay higher prices for goods of inferior quality in rural areas. • Businesses may experience a decline in sales due to high costs added to the price of the final product. 	<ul style="list-style-type: none"> • Work together with suppliers to share delivery costs to remote rural areas. • Businesses can buy in bulk to get a discount to avoid charging high prices. • Charge fair market related /fair/affordable prices for goods and services. • Avoid unethical business practices to attract customer loyalty.

	<ul style="list-style-type: none"> • Some stock may become obsolete due to low rate of stock turnover/reduced number of customers. • Charging high prices may impact negatively on the business image which may result in reduced number of customers. 	<ul style="list-style-type: none"> • A business may lobby with other businesses in the area to convince government to improve infrastructure in the rural area • Investigate cost-effective ways of transporting products/Hire a large truck to combine deliveries to shop owners in the same area.
3. Tax evasion	<ul style="list-style-type: none"> • Businesses may pay heavy fines for evading tax. • Tax evasion may negatively impact on the business image. • The accountant may charge high fees for falsifying financial statements. • Businesses may lose key stakeholders if the act of tax evasion is reported. • Some businesses submit fraudulent/incorrect returns to SARS resulting to penalties. • Businesses may not be familiar with the latest changes in tax legislation. 	<ul style="list-style-type: none"> • VAT needs to be charged on VAT-able items. • Submit the correct tax returns to SARS on time. • All products should be correctly invoiced and recorded. • Disclose all sources of income for tax payment purposes. • Keep abreast with the latest SARS regulations and tax laws. • Businesses that have evaded tax should apply for amnesty and declare their income. • Effective systems to determine the appropriate amount of tax to be paid should be in place. • Business should keep an accurate record of income statements/financial transactions. • The employees' payroll needs to reflect accurate deductions according to the progressive tax system.

Type of unprofessional business practices and examples

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

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

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

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

resources	<p>undermine the competitiveness of a business</p> <ul style="list-style-type: none"> • Discourages investors as fraud and corruption increases the risk of investment. • The business can experience substantial loss if it goes unchecked. 	<ul style="list-style-type: none"> • Identify risk areas/ vulnerable areas • Educate employees about the impact of fraud • Implement/Introduce fraud prevention strategies • Limit the number of employees having access to business funds/assets. • Fraud prevention should be a collective responsibility of business and workers. • Clear policies should be in place so that employees are aware of what is considered to be fraud. • Set up systems in the organisation for the reporting of fraud and corruption.
3. Abuse of work time	<ul style="list-style-type: none"> • It may result in employees' often abusing work time. • Abuse of work time could result in losing customers or not meeting deadlines. • Wasting time costs the business money and affects productivity. • Abuse of work time results in a decline in profits which could damage the financial wealth of the business. • Effective customer services may not be rendered resulting in the negative image of the business. 	<ul style="list-style-type: none"> • Speak directly to those employees who abuse work time. • Monitor employees to ensure that tasks are completed on time. • Remind employees that profit will decrease resulting to less incentives/bonus pay-outs. • Code of conduct/ethics should contain clear rules about abuse of work time. • Conduct training on the contents of the code of conduct/ ethics. • Code of conduct/ethics should be signed by all

		<p>employees so that they are aware of its contents.</p> <ul style="list-style-type: none"> • Structure working hours in such a way that employees have free/flexible time for personal matters. • Create a culture of responsibility/strengthen team spirit in order for all employees to feel responsible for what has to be achieved.
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PAPER 2

BUSINESS ROLES

TOPIC 4: CREATIVE THINKING AND PROBLEM SOLVING

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

PROBLEM-SOLVING

Learners must be able to:

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

CREATIVE THINKING

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

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

Problem-solving techniques	Various problem-solving techniques which businesses used to solve business related problems.
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PROBLEM SOLVING

INTRODUCTION

The importance of problem-solving skills in the workplace is crucial and requires special attention. Every business and has its own unique problems that must be addressed. From entry-level to senior management, every one of your employees will face challenges. Therefore, it's important that employers must recruit leaders with excellent problem-solving skills, especially for roles that require dealing with complex business challenges, tight deadlines, and changing variables.

Meaning of Problem Solving

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

Meaning of Decision Making

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

Differences between Problem Solving and Decision Making

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

Problem solving steps

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

NOTE: Steps can be in any order

Application/Discussion of problem-solving steps

Identify the problem

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

Define the problem

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

Identify possible solutions to the problem

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

Evaluate alternative solutions

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

Select the most appropriate alternative solution

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

Develop an action plan

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

Implement the suggested solution/action plan

- Carry out the planned actions/solution.

- Communicate delegated tasks/deadlines to employees.

Monitor the implementation of the solution/action plan

- **Schedule monitoring sessions to check the implementation of the solution/action plan.**
- **Monitor progress to ensure that deadlines are met.**

Evaluate the implemented solution

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

PROBLEM SOLVING TECHNIQUES

- Delphi technique
- Force field analysis
- Brainstorming
- Nominal group technique

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

DELPHI TECHNIQUE

Application of the Delphi technique

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

- Prepare a final summary/feedback report with all the methods to improve the quality of the business's products
- The business should choose the best solution/proposal after reaching consensus.

Impact of the Delphi technique

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

FORCE FIELD ANALYSIS

Application of Force-Field Analysis

- Describe the current situation/problem and the desired situation.
- List all driving/pros and restraining/cons forces that will support and resist change.
- Allocate a score to each force using a numerical scale, where 1 is weak and 5 is strong.
- Weigh up the positives and negatives then decide if the project is viable.
- Choose the force with the highest score as the solution.

- If the project is viable, find ways to increase the forces for change.
- Identify priorities and develop an action plan.

Impact of the Force-Field Analysis

Positives/Advantages

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

AND /OR

Negatives/Disadvantages

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

BRAINSTORMING

Application of Brainstorming

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

The impact of Brainstorming

Positives/Advantages

- People get ideas from others and build on them.
- Stimulates creative thinking in the workplace.
- Better solutions are developed through collective contributions.
- Combinations of ideas/improvements can be chosen after all the ideas have been written down.
- Employees are motivated as they are allowed to contribute to problem solving.

AND/OR

Negatives/Disadvantages

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

NOMINAL-GROUP TECHNIQUE

Application of Nominal-Group technique

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

The impact of the Nominal Group technique

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

CREATIVE THINKING

INTRODUCTION

Constant market changes and increased competition levels compel businesses to promote creative thinking in the workplace. Creative thinking is important because it allows people to be imaginative and explore all other possibilities of bringing about change in the business. Thinking creatively removes the limits and boundaries from how processes and procedures currently operate, encouraging people to continue searching for alternative ways to complete tasks or think about concepts. Creativity encourages people to examine why they do things in certain ways and inspires them to consider other ways to utilise available resources

Meaning of Creative Thinking

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

Advantages/Benefits of creative thinking in the workplace

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

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

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

PAPER 1

BUSINESS ENVIRONMENTS

TOPIC 5: BUSINESS STRATEGIES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

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

INDUSTRIAL ANALYSIS TOOLS

- Compile a SWOT analysis of a particular business from a given scenario.
- Name and identify Porter's Five forces model from given statements/scenarios.
- Explain/Advise businesses on how they could apply Porter's Five Forces model to analyse their position in the market.
- Name and apply PESTLE analysis factors from given scenarios/statements.
- Explain how PESTLE factors pose challenges to businesses.
- Recommend ways in which businesses can deal with the challenges that are posed by PESTLE factors.
- Explain/describe/discuss the following types of business strategies:
 - Integration strategies
 - Intensive strategies
 - Diversification strategies
 - Defensive strategies
- Outline/Explain/Discuss the advantages of intensive and diversification strategies.
- Outline/Explain/Recommend/Advise businesses on the steps in strategy evaluation:
 - Examine the underlying bases of the business strategy.
 - Look forward and backwards into the implementation process.
 - Compare expected performance (measure business performance).
 - Take corrective action where necessary.
 - Set specific dates for control and follow up.
 - Decide on the desired outcome as envisaged when strategies were implemented.

TERMS	DEFINITION
Formulation of strategies	To devise/develop a strategy.
Implementation of strategies	This takes place after the formulation of the strategy and involves all the activities that are required for putting the strategy into action.
Evaluation of strategies	This takes place after the implementation of the strategy and determines whether the implemented strategy resolved the challenge.
Industry analysis tools	SWOT, Porter's Five Forces and PESTLE analysis models are used to analyse the challenges posed by business environments.

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

INTRODUCTION

Effective business strategies are crucial in helping the business reach its goals. Business strategies require adequate time and development before they are put into effect. Understanding why they are essential for a business can contribute immensely towards business growth. The main purpose of a business strategy is to help businesses maximise profits and find ways to map progress. Business strategies help to identify opportunities and trends that can inform decisions for the future. They are also instrumental in analysing changes in the market or consumer behaviour so that businesses can develop tactics or modify them to generate positive outcomes.

Definition of a strategy

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

The strategic management processes

Option 1

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

Option 2

- Review/Analyse/Re-examine their vision/mission statement.

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

NOTE: The steps may be in any order.

INDUSTRIAL TOOLS ANALYSIS

COMPILATION OF A SWOT ANALYSIS

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

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

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

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

An example of a SWOT analysis of Dave Digital Sound DDS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • DDS employs qualified sound engineers. • DDS specialises in selling radios 	<ul style="list-style-type: none"> • The business does not have sufficient capital to buy/sell sound systems that cater for large events.

and car sound systems.	
OPPORTUNITIES <ul style="list-style-type: none"> Businesses in the same industry are closing down due to ineffective marketing campaigns. 	THREATS <ul style="list-style-type: none"> DDS is located in a high crime area.

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

PORTERS' FIVE FORCES MODEL

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

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

APPLICATION OF PORTERS' FIVE FORCES MODEL

Power of suppliers

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

Power of buyers

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

Power of competitors/Competitive rivalry

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

Threat of substitution/substitutes

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

Threat/Barriers of new entrants to the market

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

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

PESTLE ANALYSIS

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

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

CHALLENGES POSED BY THE PESTLE FACTORS AND RECOMMENDATIONS

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

FACTOR	CHALLENGES	RECOMMENDATIONS
Political	<ul style="list-style-type: none">• Some government policies may affect businesses• Consumer rights organisations may prevent businesses from selling products if they do not meet certain requirements.• Trade agreements may prevent businesses from importing some	<ul style="list-style-type: none">• Research recent government policies• Network and lobby with the NGOs and all consumer rights organisations.• Trade only with countries that have favourable trade agreements with the government.

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

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

Types of business strategies

Integration strategies

Integration Strategies:

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

Forward vertical integration

- A business combines with or takes over its distributors down the supply chain/production chain/The business merges with businesses that were once their customers, while still maintaining control of the initial/primary business activity.
- Involves expansion of business activities to gain control over the direct distribution of the products/services.
- The business takes over the distribution system and sells products/services directly to consumers/customers.
- Increases profitability as the intermediary/distributor/middleman is excluded/eliminated.

Backward vertical integration

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

Horizontal integration

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

Intensive strategies

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

Market penetration

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

Market Development

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

Product Development

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

Advantages of intensive strategies

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

Diversification strategies

Concentric diversification

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

Horizontal diversification

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

Conglomerate diversification

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

Advantages of diversification strategies

- Increase sales and business growth.
- Improves the business brand and image.

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

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

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

Defensive strategies

Divestiture

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

Retrenchment

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

Liquidation

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

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

Steps in evaluating a strategy

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

NOTE: The steps can be in any order.