



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

BUSINESS STUDIES

GRADE 12

REVISED NOTES TERM 2

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 TWO

TABLE OF CONTENT

6 BUSINESS SECTORS (TERM 2).....	5
EXAMINATION GUIDELINES FOR BUSINESS SECTORS.....	5
TERMS AND DEFINITIONS.....	5
6.1 Types of business sectors.....	6
6.2 Possible business challenges, their environments and extent of control.....	7-8
6.3 The extent to which a business (operating in any of the three sectors) can control the three business environments from given scenarios and case studies.....	9
CHAPTER 7: QUALITY OF PERFORMANCE (TERM2).....	10
EXAMINATION GUIDELINES ON QUALITY OF PERFORMANCE.....	10
.	11
TERMS AND DEFINITION.....	11-12
7.1 Definition of concepts.....	12-13
7.2 Differences between quality control and quality assurance.....	13
7.3 Differences between quality management and quality performance.....	13
7.4 Benefits of a good quality management system.....	13-16
7.5 How quality of performance can contribute to the success of a business /quality indicators.....	16
7.6 The meaning of TQM.....	16
7.7 TQM elements.....	17-20
7.8 The impact of TQM elements on large businesses.....	18
7.9 Application of PDCA model/steps to improve the quality of products.....	21
7.10 The role/importance of quality circles as part of continuous improvement to processes and systems.....	21
7.11 The impact of TQM if poorly implemented by businesses.....	21
7.12 Ways in which TQM can reduce the cost of quality.....	21-22
CHAPTER 8: MANAGEMENT AND LEADERSHIP (TERM 2)	23
EXAMINATION GUIDELINES.....	23
TERMS AND DEFINITIONS.....	23-24

8.1	Meaning of management and leadership.....	24
8.2	Differences between management and leadership.....	25
8.3	Leadership styles.....	25
8.3.1	Democratic.....	25
8.3.2	Autocratic.....	25
8.3.3	Laissez-faire/free-reign.....	25
8.3.4	Charismatic.....	25
8.3.5	Transactional.....	25
8.3	Impact of each leadership style.....	25-28
8.4	Situations in which each leadership styles can be applied.....	25-28
8.5	Leadership theories.....	28
8.5.1	Situational leadership.....	28-29
8.5.2	Leaders and followers.....	29
8.5.3	Transformational/transitional.....	29
8.7	The role of personal attitude	30
CHAPTER 9: INVESTMENT – SECURITIES/OPPORTUNITIES (TERM 2).....		31
EXAMINATION GUIDELINES.....		31
TERMS AND DEFINITIONS.....		32
9.1	Functions of the JSE.....	32-33
9.2	Factors to consider when making an investment.....	33-34
9.3	Various types of investment opportunities and their risks.....	34-35
9.4	Impact of various forms of investments	36-38
9.5	Types of shares	39
9.6	Types of preference shares	39
9.7	Rights of ordinary and preference shareholders	40-41
9.8	Differences between ordinary and preference shares	41
9.9	Meaning of debentures, dividend, capital gain, simple and compound interest.....	41-42
9.10	Differences between simple and compound interests	42
9.11	Calculation of simple and compound interests.....	42-43
9.12	Recommendation of best investment option based on calculations	43
CHAPTER 10: INVESTMENT - INSURANCE (TERM 2).....		44
EXAMINATION GUIDELINES		44
TERMS AND DEFINITIONS.....		45
10.1	Meaning of insurance.....	45
10.2	Non-compulsory insurance.....	45
10.3	Meaning of concepts.....	46-47
10.4	Differences between over and under insurance.....	47

10.5 Differences between insurance and assurance	48
10.6 Short-term and long-term insurance.....	50
10.7 Principles of insurance.....	48
10.8 Advantages/importance of insurance.....	48-49
10.9 Insurable and non-insurable risks.....	49
10.10 Compulsory insurance.....	50
10.11 Meaning of compulsory insurance.....	50
10.12 Differences between compulsory and compulsory.....	50
10.13 Types of compulsory insurance.....	51-52
10.14 Types of benefits paid by UIF.....	52-53
CHAPTER 11: TEAM PERFORMANCE AND CONFLICT MANAGEMENT.....	54
EXAMINATION GUIDELINES.....	54
TERMS AND DEFINITION.....	55
11.1 Criteria for successful team performance:.....	56-57
11.2 Characteristics of successful team performance.....	57
11.3 Stages of team development from given scenarios/statements:.....	57-58
11.4 Importance of team dynamic theories in improving team performance e.g., allocating tasks according to the roles of team members.....	58
11.5 CONFLICT RESOLUTION	58
11.5.1 Causes of conflict in the workplace.	58-59
11.5.2 Conflict resolution steps/techniques.....	59
11.6 DEALING WITH GRIEVANCES AND DIFFICULT PEOPLE/PERSONALITIES	60
11.6.1 Differences between grievance and conflict.	60
11.6.2 The correct procedures to deal with grievances in the workplace.	60
11.6.3 Difficult people.....	60
11.6.4 Ways in which businesses can deal difficult people/personalities in the workplace. ...	61
11.6.5 Ways in which businesses can deal with difficult employees in the workplace.....	61

PAPER 1

BUSINESS ENVIRONMENTS

TOIPC 6: BUSINESS SECTORS AND THEIR ENVIRONMENTS

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Name THREE types of business sectors: primary, secondary and tertiary.
- Identify/Name a business sector from given scenarios/statements.
- Identify business challenges from given scenarios/case studies and classify them according to the THREE business environments.
- State the extent to which a business (operating in any of the three sectors) can control the three business environments from given scenarios and case studies.

TERMS AND DEFINITIONS

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

BUSINESS SECTORS

INTRODUCTION

Business sectors are sub-divisions/subsets of economic activities, e.g., primary, secondary and tertiary. These sectors are based on the nature of the business/type of product/service offered by businesses. The three business sectors form a chain of production from the source/origin of the product until it reaches consumers/customers. The chain of production interdependent to make meaningful/functional goods/services available to consumers/customers. The interaction between the three sectors makes it possible for various business operations to take place.

Types of business sectors

Primary sector

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

Secondary sector

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

Tertiary sector

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

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

BUSINESS ENVIRONMENTS

The three business environments are dynamic/multifaceted/interdependent as they consist of many interrelated features and are characterised by constant change. Changes within the business environment affect businesses in different ways. Businesses strive to address the unforeseeable within the three business environments to remain profitable/relevant. Businesses must be aware of various challenges that may emanate from the three business environments and the extent of control they have over these environments.

Possible business challenges, their environments and extent of control

Possible challenges	Business environment	Extent of control
<ul style="list-style-type: none">• Difficult employees/ High rate of absenteeism• Lack of vision and mission• Lack of adequate management skills• Unions, strikes and go-slows	Micro environment	Full control

<ul style="list-style-type: none"> • Competition • Shortages of supply • Demographics and psychographics • Socio-cultural factors 	Market environment	Partial/Some/Limited/Less control/
<ul style="list-style-type: none"> • Change in income levels • Contemporary legislation • Labour restrictions • Political changes • Interest rates • Socio-economic issues • HIV and AIDS • Globalisation and International challenges 	Macro environment	No control

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

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

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

Example 1: Business in the primary sector

Read the scenario below and answer the questions that follow:

<p style="text-align: center;">DUKA MINES (DM)</p> <p>Duka Mines specialises in the extraction of platinum. Their suppliers of mining equipment have increased their prices by more than 20%. The supervisor does not have a good working relationship with his employees. DM can no longer export their products due to an increase in the exchange rate.</p>

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

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

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

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

Example 2: Business in the secondary sector

Read the scenario below and answer the questions that follow:

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

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

- Secondary sector

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

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

Example 3: Business in the tertiary sector

Read the scenario below and answer the questions that follow:

TIMOTHY LEGAL SERVICES (TLS)

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

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

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

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

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

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

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

PAPER 1
BUSINESS OPERATIONS
TOPIC 7: QUALITY OF PERFORMANCE

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

QUALITY

Learners must be able to:

- Define the following concepts:
 - Quality
 - Quality control
 - Quality assurance
 - Quality management
 - Quality performance
 - Quality management systems
- Explain/Differentiate/Distinguish between quality control and quality assurance.
- Explain/Differentiate/Distinguish between quality management and quality performance.
- Explain/Discuss the advantages/benefits of a good quality management system.
- Explain/Discuss how quality of performance can contribute to the success and/or failure of each business function.
- Outline the quality indicators for each business function.

TOTAL QUALITY MANAGEMENT (TQM)

- Elaborate on the meaning of TQM.
- Define/Identify the following TQM elements from given scenarios/statements:
 - Continuous skills development/Education and training
 - Total client/customer satisfaction
 - Continuous improvement of processes and system
 - Adequate financing and capacity
 - Monitoring and evaluation of quality processes
- Explain/Discuss/Analyse/Evaluate the impact of the above stated TQM elements on large businesses.
- Explain how businesses can apply the PDCA model/steps to improve the quality of products.
- Explain the role/importance of quality circles as part of continuous improvement to processes and systems.
- Explain/Discuss the impact of TQM if poorly implemented by businesses.
- Explain/Recommend/Suggest ways in which TQM can reduce the cost of quality.

TERMS AND DEFINITIONS

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

QUALITY

INTRODUCTION

The main aim of businesses is to maximise profits through the provision of high-quality products and services. It is important that businesses analyse and implement various quality processes in order to retain customers, increase profitability and remain sustainable.

Definition of quality concepts

Quality

- Quality refers to a good/service's ability to satisfy a specific need.
- The efficiency of services and the ability to provide an effective outcome without too many delays.

- It is measured against specific criteria such as physical appearance /reliability/durability/sustainability/after-sales services.

Quality control

- A system that ensures the desired quality is met by inspecting the final product to ensure that it meets the required standards.
- Checking raw materials/employees/machinery/workmanship/production to ensure that high quality standards are maintained.
- Includes setting targets/measuring performance and taking corrective measures.

Quality assurance

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

Quality management

- Refer to techniques/tools used to design/ improve the quality of a product.
- Can be used for accountability within each of the business functions.
- Aims to ensure that the quality of goods/services is consistent/Focuses on the means to achieve consistency.

Quality performance

- Total performance of each department measured against the specified standards.
- Can be obtained if all departments work together/ towards the same quality standards.
- Quality is measured/ through physical product/statistical output of processes/surveys of the users and/or buyers of goods/services.

Quality Management Systems

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

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

Differences between quality control and quality assurance

QUALITY CONTROL	QUALITY ASSURANCE
<ul style="list-style-type: none"> ▪ Inspection of the final product to ensure that it meets the required standards. 	<ul style="list-style-type: none"> ▪ Carried out during and after the production process to ensure that required standards have been met at every stage of the process.

<ul style="list-style-type: none"> Includes setting targets/measuring performance and taking corrective measures. 	<ul style="list-style-type: none"> Ensures that every process is aimed at getting the product right the first time and prevents mistakes from happening again.
<ul style="list-style-type: none"> Checking raw materials/employees/ Machinery/ workmanship/products to ensure that high standards are maintained. 	<ul style="list-style-type: none"> The 'building in' of quality as opposed to 'checking for' quality.

Differences between quality management and quality performance

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

Benefits/Advantages of a good quality management system

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

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

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

- Develop/Implement/Monitor effective strategic plans.
- Efficient organisation/allocation of business resources to provide for the successful achievement of long-term and short-term plans.
- Structured standards and norms should be in place so that control mechanisms can be implemented.

- Learn about/understand changes in the business environment on an on-going basis.
- Effectively communicate shared vision, mission and values.
- Set direction and establish priorities for their business.
- Be prepared to set an example of the behaviour that is expected from employees in terms of ethics as well as productivity.
- Be proactive and always seeks to improve competitive advantage over competitors.
- Ensure that all departments/the business meet their deadlines/targets.

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

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

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

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

- Establish relationships with suppliers so that they are in alignment with the business's vision/mission/values.
- Have a thorough understanding of supply chain management.

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

- Increasing their market share.
- Winning customers by satisfying their needs/wants/Building positive relationships.
- Adhering to ethical advertising practices when promoting products/services.
- Identifying a competitive advantage to focus/improve on marketing strengths.
- Differentiating products in order to attract more customers.
- Constantly reviewing value issues.
- Communicating effectively with customers to get feedback about their experience of products sold/services rendered.
- Co-ordinating distribution with production and advertising strategies.
- Using pricing techniques to ensure a competitive advantage.
- Determine gaps between customer expectations and actual experiences, so that problems/unhappiness may be diagnosed and addressed.
- Making adjustments and changes to products/services based on feedback from customers/results of market research.
- Using aggressive advertising campaigns to sustain/increase the market share.

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

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

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

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

- Compliance with recent legislation, e.g., BEE compliant.

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

- Fast and reliable data capturing and processing systems.
- Make reliable information available to management on time.
- Make relevant information available for quick decision-making.
- Handle complaints quickly and effectively.
- Use modern technology efficiently
- Implement effective risk management policies to minimise business losses.
- Quality assurance/Control/Evaluation is recorded accurately.
- All documentation is kept neatly and orderly in a safe place.
- Easy to recall/find information/documentation.
- Financial documents are kept up to date and recorded accurately.
- All systems and processes are documented.

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

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

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

TOTAL QUALITY MANAGEMENT (TQM)

INTRODUCTION

Businesses use TQM to streamline/enhance customer service, supply chain management and ensures that all employees are adequately trained. The focus of TQM is therefore, a multidimensional approach that takes place throughout the business at all levels, to improve the quality of the products/services, through the continual improvement of internal practices. Total Quality Management (TQM) is a structured/functional approach to overall business management. It is an ongoing/continuous process of detecting/reducing/ eliminating errors. All businesses strive to get the products right the first time and satisfy the needs of the customers beyond expectations.

Meaning of total quality management (TQM)

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

TQM elements

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

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

Impact of Total Quality Management elements on large business

Impact of continuous improvement to processes and systems on large businesses

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Large scale manufacturing can complicate quality control.
- Systems and processes take time and effort to implement in large businesses as communication/buy-in may delay the process.
- Risk of changing parts of the business that are actually working well.
- Not all negative feedback from employees and customers is going to be accurate, which may result in incorrect/unnecessary changes to systems and processes.

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

Plan

- **The business should identify the problem and develop a plan for improvement to processes and systems.**
- Answer questions such as 'what to do' and 'how to do it'.
- **Plan the new method and approach to improve the quality of their products.**
- **The plan must be logical/sequential for implementers to understand it.**

Do

- Businesses should implement the change on a small scale.
- **Implement the processes and system as planned.**
- **This step, the implementers aim to effectively/accurately execute the change based on the plan/method.**
- **This step is essential in determining whether the change has viability/potential.**

Check/Analyse

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

Act

- **Institutionalise the improvement to meet the needs of the business.**
- Devise strategies on how to continually improve.
- If the change was successful, implement it on a wider scale.
- The business should continuously revise the process until they get it right.

NOTE: 1.The PDCA model forms part of the TQM element continuous improvement to processes and systems.

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

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

Positives/Advantages

- Large businesses have a human resources department dedicated to skills training and development.
- Human resources experts ensure that training programmes are relevant to increased customer satisfaction.
- Ability to afford specialised/skilled employees.

- Large businesses could conduct skills audits to establish the competency/education levels of staff performing work which could affect the quality of products/processes positively.
- May be able to hire qualified trainers to train employees on a regular basis.

AND/OR

Negatives/Disadvantages

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

Impact of Total Client/Customer Satisfaction on large businesses

Positives/Advantages

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

AND/OR

Negatives/ Disadvantages

- Employees who seldom come into contact with customers often do not have a clear idea of what will satisfy their needs.
- Monopolistic companies have an increased bargaining power, so they do not necessarily have to please customers.
- Not all employees may be involved/ committed to total client satisfaction.

Impact of Adequate Financing and Capacity on large businesses

Positives/ Advantages

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

- They can afford to have systems in place to prevent errors in processes/defects in raw materials/products.
- Able to afford product research/market researchers to gather information.
- Can afford to purchase quality raw materials and equipment.

AND/OR

Negatives/ Disadvantages

- If the demand for company's product increases, orders begin coming in faster than expected, and the company lacks the capital required to fund the production of the stock to fill the orders.
- These rapidly growing companies can consume large amounts of capital as they try to balance normal operations and expansion.

Impact of monitoring and evaluating quality processes on large businesses

Positives/ Advantages

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

AND/OR

Negatives/Disadvantages

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

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

- Solve problems related to quality and implement improvements.
- Investigate problems and suggest solutions to management.
- Ensure that there is no duplication of activities/tasks in the workplace.
- Make for improving processes and systems in the workplace.
- Improve the quality of products/services/productivity through regular reviews of quality processes.
- Monitor/Reinforce strategies to improve the smooth running of business operations.
- **Increase employees' morale/motivation to boost the team spirit in achieving organisational goals.**
- **Contribute towards the improvement and development of the organisation.**
- Reduce costs of redundancy and wasteful efforts in the long run.
- Increase the demand for products/services of the business.
- Create harmony and high performance in the workplace.
- Build a healthy workplace relationship between the employer and employee.
- Improve employees' loyalty/commitment to the organisational goals.
- Improve employees' communication at all levels of the business.
- Develop a positive attitude/sense of involvement in decision making processes of the services offered.

Impact of TQM if poorly implemented by businesses.

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

Ways in which TQM can reduce the cost of quality

- Introduce quality circles to discuss ways of improving the quality of work/ workmanship.
- Schedule activities to eliminate duplication of tasks.
- Share responsibility for quality output amongst management and workers.
- Train employees at all levels, so that everyone understands their role in quality management.
- Develop work systems that empower employees to find new ways of improving quality.
- Work closely with suppliers to improve the quality of raw materials/inputs.

- Improve communication about quality challenges/deviations, so that everyone can learn from experience.
- Reduce investment on expensive, but ineffective inspection procedures in the production process.
- Implement pro-active maintenance programmes for equipment/machinery to reduce/eliminate breakdowns.

PAPER 2

BUSINESS VENTURES

TOPIC 8: MANAGEMENT AND LEADERSHIP

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Define/Elaborate on the meaning of management and leadership.
- Differentiate/Distinguish between management and leadership.
- LEADERSHIP STYLES
 - Democratic
 - Autocratic
 - Laissez-faire/Free-reign
 - Charismatic
 - Transactional
- Discuss/Evaluate/Analyse the impact of each leadership style on leadership style.
- Suggest/Recommend situations in which each leadership styles can be applied in the workplace.
- LEADERSHIP THEORIES
- Discuss/Explain the following theories of management and leadership:
 - Leaders and followers
 - Situational leadership
 - Transformational/Transitional leadership
- Explain/Discuss the role of personal attitude in successful leadership.

Term	Definition
Leadership	The ability of an individual or a group of individuals to influence and guide followers or other members of an organization
Management	Planning, organising, leading and controlling employees to achieve goals.
Democratic leadership style	The leader invites the team members/group to contribute ideas and participate in the decision-making process.
Autocratic leadership	The leader takes decisions on his/her own without consulting staff.
Laissez fair/Free reign	The leader delegates tasks to followers with little or no direction given

Charismatic leadership	The leader uses charm to influence followers.
Transactional leadership style	The leader focuses on motivating followers through a system of reward and punishment.
Bureaucratic leadership	Leaders/managers make sure employees follow rules and policies.
Leaders and followers	Focus on relationship between leader and follower.
Situational leadership	Focus on the application of different leadership styles depending on the situation and the maturity level of employees.
Transformational leadership theory	The leader identifies the change needed/creates a vision to guide the change through inspiration.
Personal attitude	The manner in which the leader relates to his/her employees determines the success or failure of a business.

INTRODUCTION

Leadership and management are the terms that are often considered synonymous. It is essential to understand that leadership is an essential part of effective management. As a crucial component of management, remarkable leadership behaviour stresses upon building an environment in which each employee develops and excels. Leadership is defined as the potential to influence and drive the group efforts towards the accomplishment of goals. This influence may originate from formal sources, such as that provided by acquisition of managerial position in business. A manager must have traits of a leader, i.e., he/she must possess leadership qualities. Leaders develop and begin strategies that build and sustain competitive advantage. Businesses require robust leadership and management for optimal organizational efficiency.

Meaning of management and leadership

Management

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

Leadership

- The ability of an individual or a group of individuals to influence and guide followers or other members of an organization.
- Leadership is an of inspiring subordinates to perform to achieve goals.
- It cannot be taught, although it may be learned as it is an inborn trait.
- Involves establishing a clear vision and sharing it with others so that they can willingly follow.
- A leader steps up in times of crisis and can think and act creatively in difficult situations.

Differences between management and leadership

MANAGEMENT	LEADERSHIP
<ul style="list-style-type: none">• Guides human behaviour	<ul style="list-style-type: none">• Influences human behaviour.
<ul style="list-style-type: none">• Communicates through management functions such as the line function.	<ul style="list-style-type: none">• Communicates by means of• interaction/behaviour/vision/values/• charisma.
<ul style="list-style-type: none">• Administers plans/programs/tasks to reach targets.	<ul style="list-style-type: none">• Innovates/Encourages new ideas to increase productivity.
<ul style="list-style-type: none">• Controls systems and procedures to get the job done.	<ul style="list-style-type: none">• Inspires staff to trust and support each other.
<ul style="list-style-type: none">• Focuses on how and when.	<ul style="list-style-type: none">• Focuses on what and why.
<ul style="list-style-type: none">• Focuses on the short/medium term.	<ul style="list-style-type: none">• Focuses on the horizon/long term.
<ul style="list-style-type: none">• A person becomes a manager because of the position in which he/she is appointed.	<ul style="list-style-type: none">• Leaders are born with natural/instinctive leadership skills.
<ul style="list-style-type: none">• Manages the process of getting things done by exercising responsibility.	<ul style="list-style-type: none">• Guides/Leads people to become active participants.
<ul style="list-style-type: none">• Managers have power because of the position of authority into which they are appointed.	<ul style="list-style-type: none">• Leaders have influence because of his/her knowledge/skills/ intelligence.
<ul style="list-style-type: none">• Enforce rules on subordinates/Ensure that tasks are completed.	<ul style="list-style-type: none">• Always trying to find more efficient ways of completing tasks.
<ul style="list-style-type: none">• Instructional in their approach.	<ul style="list-style-type: none">• Motivational/Inspirational in their approach.
<ul style="list-style-type: none">• Task-orientated.	<ul style="list-style-type: none">• People-orientated.
<ul style="list-style-type: none">• Manage by planning/organising/• leading/controlling.	<ul style="list-style-type: none">• Lead by example/trust/respect.
<ul style="list-style-type: none">• Does things right.	<ul style="list-style-type: none">• Does the right things.

Leadership styles

Democratic

Autocratic

Laissez-faire/Free-reign

Charismatic

Transactional

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

Situations in which the Democratic leadership style can be used

This leadership style can be used when:

- Group members are skilled and eager to share their ideas.
- The leader does not have all the information needed to decide and employees have valuable information to contribute.
- Cooperation is needed between the leader and the team.
- Decisions need to be looked at from several perspectives.
- Small dynamic companies rely on innovative and creative ideas.

Impact of Democratic leadership style

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

Situations in which the Autocratic leadership style can be used

This leadership style can be applied when:

- In crisis situations, e.g. in the case of unforeseen challenges/accidents.
- When all the information is available to solve the problem.
- In emergencies, where there is a shortage of time.
- When employees are motivated, and the leader has already earned the trust of the followers.
- When dealing with employees who are not cooperative.

Impact of Autocratic leadership style

Positives/Advantages

- Quick decisions can be taken without consulting/considering followers/employees.
- Work gets done in time/on schedule as targets are clearly specified.
- Line of command/communication is clear as it is top-down/followers know exactly what to do.
- Direct supervision/strict control ensure high quality products/service.
- Provides strong leadership which makes new employees feel confident/safe.
- Works well in large companies where consultation with every employee is impractical.
- Clear guidance can be given to low-skilled/inexperienced/new staff.

AND/OR

Negatives/Disadvantages

- Leaders and followers may become divided and may not agree on ways to solve problems.
- Workers can become demotivated if their opinions/ideas are not considered.
- Demotivated workers impact negatively on productivity.
- New/Creative/Cost reducing ideas may not be used/considered/implemented.
- Followers may feel that they are not valued resulting in high absenteeism/employee turnover.
- Experienced/Highly skilled workers will resist an autocratic leadership style as it results in slow growth/low participation/less creativity.

Situations in which the Laissez-faire/free-reign leadership style can be used

This leadership style can be applied when:

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

Impact of Laissez-Faire/Free Reign

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

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

Situations in which Charismatic leadership style can be used

This leadership style can be applied when:

- Sell vision and achieve excellent results.
- Motivate employees as the leader is energetic/inspiring.
- The organisation wants to implement changes and uses the leader to get the support of employees.
- Confidence levels of employees are low, and employees need to be inspired/ Inspire loyalty/hard work among employees.
- The leader wants to boost the morale of employees, who may be demotivated.
- The leader wants employees to continue the path of high productivity/efficiency levels.

Impact of Charismatic leadership style

Positives/Advantages

- Expert at selling vision and achieve excellent results.
- Employees are motivated as the leader is energetic/ inspiring.

- Inspires loyalty/hard work among employees.

AND/OR

Negatives/Disadvantages

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

Situations in which Transactional leadership style can be used

This leadership style can be applied when:

- The business wants to maximise employee performance.
- Deadlines must be met on short notice/under pressure.
- Workers have a low morale.
- The strategies/business structures are clear and do not have to change.
- Productivity levels are very low/not according to targets.

Impact of Transactional leadership style

Positives/Advantages

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

AND/OR

Negatives/Disadvantages

- Employees can become bored because they must follow rules/procedures/ there is no creativity in the workplace.
- A transactional leader will have to monitor the work performance of employees/ ensure that expectations are met which can be time-consuming.
- Some employees may be demoralised/ unmotivated if they fail to reach/meet targets despite having worked very hard.
- Usually not suitable for teamwork, because all team members can be punished for poor performance caused by a member of a team.

Leadership theories

Situational leadership theory

- Different leadership characteristics are needed for different situations.
- The task/situation dictates the leadership style that should be applied, so leaders are adaptable/flexible/self-assured.
- Effective application of this theory may enable leaders to accomplish their goals.
- Relationships between leaders and employees are based on mutual trust/ respect/loyalty/integrity/honesty.
- Leaders can analyse the situation/get the most suitable people in the right positions to complete tasks successfully.

- Leaders analyse group members/objectives/time constraints, to adopt a suitable/relevant leadership style.
- May lead to conflict when leaders use different leadership styles/when managing employees in different situations.
- The success of this theory depends on the kind of relationship that exists between the leader and followers/subordinates/employees.

Leaders and followers

- The relationship between the leader and employees has a major impact on the goals that the organisation has set out to achieve.
- Employees, as followers of the leader, follow the instructions of the leader and collectively work towards the organisation's goals.
- Leaders allow followers to be creative/innovative and encourage them to explore alternative methods to increase productivity.
- Leaders lead by example and provide incentives for positive behaviour.
- Followers take responsibility for goals/targets not achieved.
- Followers easily accept responsibility when something doesn't work out.
- Innovation/Creativity of some followers is stifled as they simply follow the leader and other followers/Followers might just trail along depending on leaders and other followers to pull them through the task.
- Teams achieve great results when there is a sense of understanding between the leader and the team of followers.
- Followers listen to what is expected of them and are willing to work as a team.
- Leaders motivate employees to devise alternative strategies to find more efficient ways to use available resources.

Transformational leadership theory

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

The role of personal attitude in successful leadership

- Positive attitude releases leadership potential for personal growth.
- A leader's good attitude can influence the success of the business.
- Leaders must know their strengths and weaknesses to apply their leadership styles effectively.
- Great leaders understand that the right attitude will set the right atmosphere.
- Leaders' attitude may influence employees'/teams' thoughts/behaviour.
- Leaders should model the behaviour that they want to see in team members.
- Successful leaders consider the abilities/skills of team members to allocate tasks/roles effectively.
- Enthusiasm produces confidence in a leader and inspires them to work even harder.
- A positive attitude is critical for good leadership because good leaders will stay with the task regardless of difficulties/challenges.
- Successful leaders and employees have a constant desire to work and achieve personal/professional success.
- Leaders with a positive attitude know that there is always more to learn/space to grow.

PAPER 2
BUSINESS VENTURES
TOIPC 9: INVESTMENT SECURITIES

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Outline/Explain/Discuss the functions of the JSE.
- Outline/State/Describe/Explain/Discuss the following factors that should be considered when making investment decisions:
 - Return of investment (ROI)
 - Risk
 - Investment term/period
 - Inflation rate
 - Taxation
 - Liquidity
- Explain/Discuss the various types of investment opportunities and their risk factors:
 - Mutual funds/Stokvel
 - Managed portfolio
 - Venture capital
 - 32-day notice account
 - Debentures
 - Endowment/Retirement annuities
- Explain/Discuss/Analyse/Evaluate (positives/advantages and/or negatives/disadvantages) of the following forms of investment:
 - Government/RSA retail savings bonds
 - Unit trusts
 - Shares
 - Fixed deposit
- Identify the following types of shares from given scenarios/statements:
 - Ordinary shares
 - Preference shares
 - Bonus shares
 - Founders shares
- Name/Outline/Explain/Discuss types of preference shares.
- Outline the rights of ordinary and preference shareholders.
- Differentiate/Distinguish between ordinary and preference shares
- Define/Explain the meaning of debentures, dividends, capital gain, simple interest and compound interest.
- Differentiate/Distinguish between simple interest and compound interest.
- Calculate simple and compound interest from given scenarios.
- Recommend the best investment option based on the calculations.

TERMS AND DEFINITIONS

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

INTRODUCTION

Investment securities is an important way of acquiring/accumulating wealth for both an individual and businesses. Various investment opportunities are available for investors to invest their capital in. Some investors are interested in growing their wealth. Other investors are interested in generating an additional income to supplement their retirement earnings. It's important for investors to take into account the risk associated with each investment type.

Functions of the JSE

- Gives opportunities to financial institutions to invest their surplus funds in shares.
- Serves as a barometer/indicator of economic conditions in South Africa.
- Keeps investors informed by publishing share prices daily.
- Acts as a link between investors and public companies.
- Shares are valued and assessed by experts.
- Small investors are invited to take part in the economy of the country through the buying/selling of shares.
- Venture capital market is made possible on the open market.
- Strict investment rules ensure a disciplined/orderly market for securities.
- **Raises primary capital by encouraging new investments in listed companies.**
- Mobilises the funds of insurance companies and other institutions.
- Regulates the market for trading in shares.
- Plans, research, and advises on investment possibilities.
- Ensures that the market operates in a transparent manner.
- Provides protection for investors through strict rules/legislation.
- **Encourages short-term investment as shares can be sold at any time.**

- Facilitates electronic trading of shares/STRATE/**Channels financial resources into productive economic activities.**
- Enhance job creation and increases economic growth/development.

Factors that should be considered when making investment decisions

- Return on investment (ROI)
- Risk
- Investment term/period
- Inflation rate
- Personal budget
- Liquidity

Explanation of investment decisions

Return on investment (ROI)

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

Risk

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

Investment term/period

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

Inflation rate

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

Taxation

- Refers to a compulsory payment made by citizens to the government.
- A good investment will yield good after-tax returns.
- Income tax implications must be considered to ensure a high net after-tax return.
- Tax rates are not necessarily the same for different investments.

Liquidity

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

Various types of investment opportunities and their risks**Mutual funds/Stokvels**

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

Risk

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

Managed portfolio

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

Risk

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

Venture capital

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

Risk

- The risks linked to this type of investment could be high if the investor did not familiarise himself/herself with the market in which the business will be operating his/her business.
- Entrepreneurs with limited experience may not be able to manage the business successfully, causing the investor to lose some/all his/her investment.

32-day notice accounts

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

Risk

- Low risk, as investment plus interest will be paid out on the maturity date of investment.
- Interest is calculated on the daily balance, accelerating the value/return on the investment/lowering the risk.
- Interest rate may fluctuate with market conditions, increasing the risk.

Debentures

- Debentures are issued to raise borrowed capital from the public.
- The lender/debenture holder agrees to lend money to the company on certain conditions for a certain period.
- Debenture holders are creditors, as the company is liable to repay the amount of the debentures.
- Most types of debentures can be traded on the JSE.
- Debenture holders receive annual interest payments based on the terms/number/amount of debentures held.

Risk

- Debentures have a low risk as they need to be paid back.
- Companies are liable to repay the amount of the debenture plus interest, which decrease the risk for the investor.
- Investors may earn a steady income in the form of interest while preserving their principal amount.

Endowment/Retirement annuities

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

Risk

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

FORMS OF INVESTMENTS

FORM OF INVESTMENT	DESCRIPTION
Government/RSA Retail Savings Bonds	<ul style="list-style-type: none">• A form of investment with the Government of South Africa which earns a fixed /inflation linked interest for the term of investment.• The RSA Retail Bonds offer competitive rates, with similar benefits as Government is paying in the capital markets.• Individuals will now have access to those benefits in the same way as businesses and corporations
Unit trusts	<ul style="list-style-type: none">• A type of investment where money from many investors (called "unit holders"), is managed by a fund manager to achieve a specific return.• The fund manager collects and creates a portfolio of investments and assets.• Generally used by investors who want to buy shares and other assets across a mixed portfolio but have limited time or expertise to manage such investments.
Shares	<ul style="list-style-type: none">• Shares represent units of ownership in a corporation or financial asset owned by investors who exchange capital in return for these units.• It is essentially an exchangeable piece of value of a company which can fluctuate up or down, depending on several different market factor.
Fixed deposits	<ul style="list-style-type: none">• It is also known as a time deposit or term deposit, is a financial product offered by banks and financial institutions.• It involves depositing a specific sum of money with a bank for a predetermined period, usually ranging from a few months to several years.• The deposited amount earns a fixed interest rate that is typically higher than the interest rate offered on regular savings accounts

Impact of various forms of investment

Government/RSA Retail Savings Bonds

Positives/Advantages

- Guaranteed returns, as interest rate is fixed for the whole investment period.
- Interest rates are market related and attract more investors.
- **Interest can be received twice a year making it a viable investment option.**
- Investment may be easily accessible, as cash may be withdrawn after the first twelve months.
- Low risk/Safe investment, as it is invested with the South African Government which cannot be liquidated.
- It is an affordable type of investment for all levels of income earners including pensioners.
- Retail bonds are easily/conveniently obtained electronically/from any Post Office/directly from the National Treasury.
- No charges/costs/commissions payable on this type of investment.
- Interest is usually higher than on fixed deposit.
- Retail bonds are listed on the capital bond markets/on the JSE.
- Investors younger than 18 years/Minors may invest with the help of a legal guardian, which encourages saving from a young age.

AND/OR

Negatives/Disadvantages

- Retail bonds cannot be ceded to banks/financial institutions as security for obtaining loans.
- **A minimum of R500 must be invested, which may be difficult for some small investors to accumulate.**
- Retail bonds are not freely transferable amongst investors.
- Investors need to have a valid SA identification/should be older than 18 years which may discourage foreigners/young people to invest.
- Penalties are charged for early withdrawals if the savings is less than 12 months old.

Unit trusts

Positives/Advantages

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

Negatives/Disadvantages

- Share price may fluctuate.
- Unit trusts are not suitable for people who want to invest for a short period.
- It is not a good option for people who want to avoid risks at all costs.
- Units Trusts are not allowed to borrow, therefore reducing potential returns.
- If blue chip companies do not continue their growth path, the growth of unit trusts will also be affected/it will not render the expected returns.
- Bid prices that are usually higher than the ask price, makes the investment less liquid.

Shares**Positives/Advantages**

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

Negatives/Disadvantages

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

Fixed deposits**Positives/Advantages**

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

Negatives/Disadvantages

- The investor cannot withdraw their funds before the maturity date.
- May not outperform the effect of inflation over long term.
- Low returns compared to other investments.

TYPES OF SHARES

ORDINARY SHARES

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

PREFERENCE SHARES

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

Types of preference shares

Participating preference shares

Shareholders:

- are guaranteed minimum fixed dividends.
- are entitled to share in any surplus company profits.
- receive higher dividends when the company performs well.
- have preferential rights over ordinary shares on repayment when the company closes.

Non-participating preference shares/Ordinary preference shares

Shareholders:

- receive an amount equal to the initial investment plus accrued and unpaid dividends upon liquidation.
- do not have right to participate in profits after equity shareholders have been paid a dividend.
- will not get extra dividend in case of surplus profits.
- entitled to receive only a fixed rate of dividend every year.

Cumulative preference shares

Shareholders:

- Shareholders are compensated for past dividends that were not paid out when profits were too low to declare dividends/Receive dividends not previously paid out.

Non-cumulative preference shares

- Shareholders are not compensated for past dividends that were not paid out when profits were low.

Redeemable preference shares

- Shares can be redeemed/bought back at the option of the issuing company, at a fixed price on a specified date/over a certain period.

Non-redeemable preference shares

- Shares are only bought back when the company closes for reasons other than bankruptcy.

Convertible preference shares

- Shares can be converted into a predetermined number of ordinary shares on the date specified when the preference shares were issued.

Non-convertible preference shares

- Shares cannot be converted into ordinary shares.

BONUS SHARES

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

FOUNDERS' SHARES

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

RIGHTS OF SHAREHOLDERS

ORDINARY SHAREHOLDERS	PREFERENCE SHAREHOLDERS
Shareholders have a right to:	Shareholders have a right to:
<ul style="list-style-type: none">• vote at the Annual General Meeting.• attend the Annual General Meeting to learn about the company's performance.• receive interim and annual reports.• claim on company assets in the event of bankruptcy after all other creditors and preferential shareholders have been paid.	<ul style="list-style-type: none">• Receive dividends regardless of how much profits are made.• Receive a fixed rate of return/dividend.• They are paid first/enjoy preferential rights to dividends.• They have a preferred claim on company assets in the event of bankruptcy/liquidation of the company.• Receive interim and annual reports.• They only have voting rights at the AGM under particular circumstances/for certain

	<p>resolutions.</p> <ul style="list-style-type: none"> • Cumulative shareholders must receive outstanding/accrued dividends from previous years. • Participating preference shareholders have the right to share in surplus profits.
--	--

Differences between ordinary and preference shares

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

DESCRIPTION OF CONCEPTS

Debentures

- It is issued to raise borrowed capital from the public.
- The lender/debenture holder agrees to lend money to the company on certain conditions for a certain period.
- Debenture holders are creditors, as the company is liable to repay the amount of the debentures.
- Most types of debentures can be traded on the JSE.
- Debenture holders receive annual interest payments based on the terms/amount of debentures held.

Dividends

- The return on an investment in shares which is paid regularly by a company to its shareholders.
- Dividends are decided and managed by the company's board of directors and approved by the shareholders through their voting rights.

Capital gain

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

Simple interest

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

Compound interest

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

Differences between simple and compound interest

SIMPLE INTEREST	COMPOUND INTEREST
<ul style="list-style-type: none">• Interest earned on the original amount and not on the interest accrued.	<ul style="list-style-type: none">• Interest earned on original amount invested, as well as interest earned in previous period(s).
<ul style="list-style-type: none">• The principal amount remains the same over the entire period of investment.	<ul style="list-style-type: none">• The principal amount grows with the addition of interest to it.
<ul style="list-style-type: none">• The interest is kept separate unless it is reinvested.	<ul style="list-style-type: none">• Interest is calculated on the higher principal amount and again added to it.
<ul style="list-style-type: none">• Yields less return on investment.	<ul style="list-style-type: none">• Yields high return on investment.
<ul style="list-style-type: none">• Total amount of interest earned on investment is less	<ul style="list-style-type: none">• Total amount of interest earned on investment is high.

Calculation of simple and compound interest

Read the scenario below and answer the questions that follow:

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

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

Calculation of Simple interest of the above scenario

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

$R30\,000 \times 12\% \times 2 \text{ years} = R7200$

Calculation of Compound interest of the above scenario

Option 1

Year 1: $R30\,000 \times 12\% = R3600$

Year 2: $R33\,600 \times 12\% = R4032$

Total interest = $R7632$

OR

Option 2

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

$R30\,000 \times (1 + 12/100)^2$

$R30\,000 \times (1.12)^2 = R37\,632$

Total interest = $R37\,632 - R30\,000$

= $R7632$

Best investment option

Compound interest.

Motivation

Compound interest yields a higher interest of $R7\,632$ than the simple interest/ Ronnete earns interest on interest accrued.

PAPER 2
BUSINESS VENTURES
TOPIC 10: INVESTMENT - INSURANCE

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

Learners must be able to:

- Define/Elaborate on the meaning of insurance.

NON-COMPULSORY INSURANCE

- Explain/Elaborate on the meaning of non-compulsory insurance.
- Explain/Elaborate on the meaning of the following insurance concepts:
 - Over-insurance
 - Under-insurance
 - Average clause
 - Reinstatement
 - Excess
- Explain the differences between over and under insurance.
- Differentiate/Distinguish between insurance and assurance. Give examples.
- Name/Give examples of short term and long-term insurance.
- Name/Explain/ Discuss the following principles of insurance:
 - Indemnification/Indemnity
 - Security/Certainty
 - Utmost good faith
 - Insurable interest
- Apply the average clause to calculate the compensation in the case of under-insurance.
- Explain/Discuss the advantages/importance of insurance.
- Explain the meaning of insurable and non-insurable risks.
- Outline/Give examples of insurable and non-insurable risks.

COMPULSORY INSURANCE

- Explain/Elaborate on the meaning of compulsory insurance.
- Explain/Differentiate/Distinguish between compulsory and non- compulsory insurance and give examples.
- Discuss/Explain types of compulsory insurance e.g., Unemployment Insurance Fund (UIF), Road Accident Fund (RAF)/Road Accident Benefit Scheme (RABS)/Compensation for Occupational Injuries and Diseases Fund (COIDA).
- Explain the types of benefits paid out by the UIF.
- Keep abreast of the changes in legislation from time to time e.g., the RAF is currently changing to the RABS (Road Accident Beneficiary Scheme).

TERMS AND DEFINITIONS

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

INTRODUCTION

Managing a successful business involves planning for potential risks and hazards. There are many natural and man-made factors that could hinder your business's progress and revenue such as storms and fires, property damage, and theft. These potential risks are costly, and businesses cannot bear them alone. Ensuring that your business's day-to-day operations are protected is the most important reason insurance exists. There are also uncommon instances, like the Covid-19 pandemic and the mass looting, that also had a massive impact on business daily operations. Without insurance, potentially paying for the liabilities incurred on these events could leave the business bankrupt, especially if its still developing.

Meaning of insurance

- Insurance refers to cover for a possible event that may cause a specified loss/damage.
- An agreement whereby the insurer undertakes to indemnify the insured in the event of a specified loss/damage.
- The insured must pay a premium for specified losses/damages covered.
- A contract between a person/business/insured requiring insurance cover and the insurance company/insurer bearing the financial risk.

NON-COMPULSORY INSURANCE

The meaning of non-compulsory insurance

- Non-compulsory insurance is voluntary/the insured has a choice whether to enter into an insurance contract.
- Insured will enter a legal insurance contract with the insurer, who may be represented by an insurance broker.

DESCRIPTION/MEANING OF INSURANCE CONCEPTS

Over insurance

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

Under-insurance

- Occurs when property or assets are insured for their full market value.
- The property/asset is insured for less than the current/actual value of the property/assets.

Average clause

- A stipulation set by the insurer which is applicable when property/goods is under insured/insured for less than its market value.
- The insurer will pay for insured loss/damages in proportion to the insured value.
- This means that the insured is responsible for a part of the risk that is not insured.
- **NOTE: The average clause applies when goods/assets are under insured.**

Calculations of average clause

- The insured amount is divided by the market value of the insured item and multiplied by the total value/amount of the damages/loss.
- Insurance companies apply the following formula to determine the amount to be paid out to the insured:

FORMULA: $(\text{Amount insured} \div \text{Market value}) \times \text{damages}$

$\frac{\text{Amount insured}}{\text{Value of insured item}} \times \text{Amount of damages/loss}$

Example of calculating the average clause

Peter owns a thatched house valued at R100000. He insured his house with Pro-Cover Insurers for R800000. A fire in the kitchen caused damages of R30000.

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

R800000 x R30000

R1000000
=R24000

Reasons for not qualifying for the full amount of damages

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

Reinstatement

- It is a stipulation whereby the insurer may replace lost/damaged property/goods instead of reimbursing.
- This stipulation is applicable when property/goods are over insured.
- The re-instatement value will not be higher than the market value of the loss.
- Insured is restored to almost the same financial position as before the loss occurred.
- Example: A business property that has been insured for R300 000 but the market value for the property is R200 000. If it is destroyed by fire/storm etc., the insurer will rebuild the property instead of paying cash.

NOTE:

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

Excess

- Excess is the amount that the insured agrees to pay upfront when he/she takes out an insurance policy/The amount the insured agrees to pay upfront as stipulated in the insurance policy.
- A portion of the insurance claim that the insured will have to pay towards the cost of replacing/repairing goods/property concerned.
- Excess payments protect the insurer against fraudulent claims as the insured is less likely to submit a false claim/when he/she needs to pay the amount upfront.
- It is the amount paid to the insurer when a claim for damages is lodged/ in the event of a claim.
- Higher excess amounts keep the insurance premium lower and discourage fraud.
- Excess payment prevents the insured from claiming for minor damages.

Differences between insurance and assurance

OVER-INSURANCE	UNDER-INSURANCE
<ul style="list-style-type: none">• Property/Assets are insured for more than their actual/market value.	<ul style="list-style-type: none">• Property/Assets are not insured for their full market value.
<ul style="list-style-type: none">• The insurer can choose to reinstate the insured instead of making a payment.	<ul style="list-style-type: none">• The insurer will apply the average clause to determine the amount that will be paid.
<ul style="list-style-type: none">• The insured will not receive a payout larger than the value of the loss at market value.	<ul style="list-style-type: none">• The insured will only be paid out for the amount that the goods/assets are insured for.

Differences between insurance and assurance

INSURANCE	ASSURANCE
<ul style="list-style-type: none">• BASED ON THE PRINCIPLE OF INDEMNITY.	<ul style="list-style-type: none">• Based on the principle of security/certainty.
<ul style="list-style-type: none">• The insured transfers the cost of potential loss to the insurer at a premium.	<ul style="list-style-type: none">• The insurer undertakes to pay an agreed sum of money after a certain period has expired/on the death of the insured person, whichever occurred first.
<ul style="list-style-type: none">• It covers a specified event that may occur.	<ul style="list-style-type: none">• Specified event is certainty, but the time of the event is uncertain.
<ul style="list-style-type: none">• Applicable to short term insurance.	<ul style="list-style-type: none">• Applicable to long term insurance
Examples	Examples
<ul style="list-style-type: none">• Property insurance/money in transit/theft/burglary/fire	<ul style="list-style-type: none">• Life insurance/endowment policies/retirement annuities

Examples of short term and long-term insurance

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

Principles of insurance

Indemnification/Indemnity

- Usually applies to short-term insurance, as the insured is compensated for specified/proven harm/loss.
- Insurer agrees to compensate the insured for damages/losses specified in the insurance contract, in return for premiums paid by the insured to the insurer.
- Protects the insured against a specified event that may occur.
- Pay-outs from the insurer will only be made, if the insured can prove the amount of the loss/damage/if there is proof that the specified event took place.
- The amount of compensation is limited to the amount of provable loss/damage, even if the amount in the policy/insurance contract is higher.
- The insured must be placed in the same position as before the occurrence of the loss/damage/The insured may not profit from insurance.

Security/Certainty

- Applies to long-term insurance where the insurer undertakes to pay out an agreed upon amount in the event of loss of life.
- A predetermined amount will be paid out when the insured reaches a predetermined age/or gets injured due to a predetermined event.
- Aims to provide financial security✓ to the insured at retirement/dependents of the deceased.

Utmost good faith

- Insured must be honest in supplying details when entering an insurance contract.
- Both parties/insurer and insured must disclose all relevant facts.
- Insured must disclose everything that may affect the extent of the risk.
- Details/Information supplied when claiming should be accurate/true.

Insurable interest

- Insured must prove that he/she will suffer a financial loss if the insured object is damaged/lost/ceases to exist.
- An insurable interest must be expressed in financial terms.
- Insured must have a legal relationship with the insured object in the contract.

Advantages of insurance for businesses

- Transfers the risk from businesses/insured to insurance companies/an insurer.
- Transfer of risk is subject to the terms and conditions of the insurance contract.
- Protects businesses against theft/loss of stock and/or damages caused by natural disasters such as floods/storm damage.
- Businesses will be compensated for insurable losses, such as the destruction of property through fire.
- Business' assets such as vehicles/equipment/buildings need to be insured against damage and/or theft.
- Businesses are protected against the loss of earnings, such as strikes by employees which may result in losses worth millions.
- Protects businesses against dishonest employees.
- Life insurance can be taken on the life of partners in a partnership to prevent unexpected loss of capital.
- Should the services of key personnel be lost due to accidents/death, the proceeds of an insurance policy can be paid out to the business/beneficiaries.
- Replacement costs for damaged machinery/equipment are very high, therefore insurance can reduce/cover such costs.
- Protects businesses from claims made by members of the public for damages that businesses are responsible for.
- Protects businesses against losses due to death of a debtor.

Examples of insurable and non- insurable risks

Insurable risks	Non-insurable risks
These risks are insured by insurance companies.	These risks are not insured by insurance companies as insurance cost/risks are too high/remains the responsibility of the business.
Examples <ul style="list-style-type: none"> • Theft • Fidelity insurance • Burglary • Money in transit • Fire • Natural disaster/Storms/Wind/Rain/Hail • Damage to/Loss of assets/vehicles/ equipment/buildings/premises • Injuries on premises 	Examples <ul style="list-style-type: none"> • Losses caused by war. • Most risks occurring between placing orders and receiving goods. • Changes in fashion. • Losses caused by marketing malpractices by the business. • Advancement in technology/new machinery invention.

COMPULSORY INSURANCE

Meaning of compulsory insurance

Compulsory insurance refers to insurance that individuals/businesses are compelled to take out. Individuals/Businesses are legally obliged to insure against certain risks that may or may not occur.

Differences between compulsory and non-compulsory insurance

COMPULSORY INSURANCE	NON-COMPULSORY INSURANCE
<ul style="list-style-type: none"> • Required by Law/there are legal obligations for it to be taken out and paid for 	<ul style="list-style-type: none"> • Is voluntary/the insured having a choice whether to enter an insurance contract
<ul style="list-style-type: none"> • Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions 	<ul style="list-style-type: none"> • Monthly/Annual payments/ premiums that must be paid to enjoy cover for a nominated risk.
<ul style="list-style-type: none"> • Payment is in the form of a levy/contribution paid into a common fund from which benefits may be claimed under certain conditions. 	<ul style="list-style-type: none"> • Monthly/Annual payments/premiums that must be paid to enjoy cover for a nominated risk.
Examples UIF, RAF and Compensation Fund/COIDA	Examples Short term insurance/Multi-peril insurance (theft, fire, etc.) Long term insurance/Life insurance

Types of compulsory insurance

Unemployment Insurance Fund/UIF

- The UIF provides short term benefits to workers who have been working and become unemployed for various reasons.
- The UIF provides financial assistance for a limited period to the dependents of a deceased employee who was registered with/contributed to the UIF.
- Businesses contribute 1% of basic wages towards UIF, therefore reducing the expense of providing UIF benefits themselves.
- Employees contribute 1% of their basic wage to UIF.
- Businesses are compelled to register their employees with the fund and pay the 2% levy contributions to SARS/UIF monthly.
- The contribution of businesses towards UIF increases the amount paid out to employees who become unemployed.
- All employees who work at least 24 hours per month are required to be registered for UIF/contribute to the UIF.
- Employees who become unemployed must register with the Department of Labour, and all valid claims will be processed by the UIF.
- It is an affordable contribution that makes it possible for businesses to appoint substitute workers in some instances.
- Businesses cannot be held responsible for unemployment cover as the UIF payout to contributors directly/dependants of deceased contributors.
- Employers will be held personally for unemployment cover if the UIF deductions are not made/paid timeously.
- Employees who resign/absconded or have been suspended from their jobs cannot claim from the UIF.
-

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

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

- RAF/RABS enables road accident victims" speedy access to medical care as delays due to the investigation into accidents has been minimised.

Compensation for Occupational Injuries and Diseases/COIDA/Compensation Fund

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

10.2. Types of benefits paid out by Unemployment Insurance Fund/UIF

Unemployment benefits

- Employees, who become unemployed/retrenched due to restructuring/an expired contract, may claim within six months after becoming unemployed.
- Unemployed employees may only claim if they contributed to UIF.
- Unemployed employees enjoy these benefits until the allocated funds are exhausted.
- They may claim for benefits from the UIF if the Commission for Conciliation, Mediation and Arbitration (CCMA) considers their resignation as a constructive dismissal.
- Employees who become unemployed should register with the Department of Labour to prove that they are job seekers.
- If an employee voluntarily terminates his/her contract, he/she may not claim.
- Employees must apply for the UIF benefits as soon as they become unemployed/within six months of the termination of his/her employment.
- Fathers can claim for UIF benefits when they take 10 consecutive days of unpaid parental leave after the birth of their child.
- No tax is payable on unemployment benefits.

Illness/Sickness/Disability benefits

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

- Employees who are contributors to the UIF may apply for illness/disability benefits if they are unable to perform their duties.

Maternity benefits

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

Adoption benefits

- Employees may receive these benefits if they have legally adopted a child younger than two years.
- Employees who take unpaid leave/may receive part of their salary while caring for the child at home.
- Only one parent/partner may claim benefits.
- A contributing employee can apply for a leave of absence/stop working to look after his/her adopted child.

Dependants' benefits

- Dependants may apply for these benefits if the breadwinner, who has contributed to the UIF dies.
- The spouse of the deceased may claim, whether he/she is employed or not.
- The dependants must apply within six months of the death of the contributing employee.
- Dependent children under the age of 21 years are entitled to benefits✓ if there is no surviving spouse or a life partner.

TOPIC 11: TEAM PERFORMANCE&CONFLICT MANAGEMENT**CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**

Learners must be able to:

TEAM PERFORMANCE ASSESSMENT

- Outline/Explain/Discuss the following criteria for successful team performance:
 - Interpersonal attitudes and behaviour
 - Shared values
 - Communication
 - Collaboration.
- Identify the above-mentioned criteria from given scenarios/statements.
- Outline/Explain/Discuss the characteristics of successful team performance.
- Identify/Name the following stages of team development from given scenarios/statements:
 - Forming
 - Storming
 - Norming
 - Performing
 - Adjourning/Mourning
- Explain/Describe/Discuss the above-mentioned stages of team development.
- Describe/Explain/Discuss/Elaborate on the importance of team dynamic theories in improving team performance e.g., allocating tasks according to the roles of team members.

CONFLICT RESOLUTION

- Outline/Explain/Describe/Discuss causes of conflict in the workplace.
- Identify causes of conflict from given scenarios/statements.
- Explain/Advise businesses on how they should handle conflict in the workplace (Conflict resolution steps/techniques)

DEALING WITH GRIEVANCES AND DIFFICULT PEOPLE/PERSONALITIES

- Differentiate between grievance and conflict.
- Explain/Discuss the correct procedures to deal with grievances in the workplace.
- Identify/Name the following difficult people/ personalities from given scenarios/statements:
 - Complainer
 - Indecisive
 - Over-agree
 - Negativity
 - Expert
 - Quiet
 - Aggressive

- Suggest/Recommend different ways in which businesses can deal with the above-mentioned difficult people/personalities in the workplace.
- Explain/Suggest different ways in which businesses can deal with difficult employees in the workplace.

TERMS AND DEFINITIONS

TERMS	DEFINITION
Team	Group of people who work together to achieve a common goal.
Conflict	A disagreement/a clash of opinions in the workplace.
Task/Work	Activity/function performed by an individual or team members.
Teamwork	Interactions with team members to achieve a common goal.
Team dynamics	A way in which team members work together in a group.
Forming	Team members get to know each other and accept their roles in the team.
Storming	Team members confront each other with their different ideas.
Norming	Team members accept each other and set common goals and values for the team.
Performance	An accomplished task measured against pre-set known standards.
Adjourning	Team members have to leave a team after completion of the tasks.
Team dynamic	Assist to allocate tasks according to the roles of individual members.
Grievance	A formal complaint laid by an employee when he/she feels that he/she has been ill-treated by the employer.
Co-operation/	Willingness to co-operate in the team to achieve objectives.
Mutual	Two people share the same feeling
Commitment	Keeping to a promise/arrangement/cause
Accountability	When someone is held responsible for his/her actions
Interpersonal	The personality that a person continuously develops
Interpersonal	How two or more people interact with one another
Shared values	A group of people with the same set of standards and beliefs.
Assess	Check how well something has been done

TEAM PERFORMANCE ASSESSMENT

INTRODUCTION

A team refers to a group of people working together to achieve a common goal. The criteria for successful team performance are the individual standards by which a team is going to be judged to determine whether the team achieved the goals it has set for itself. Teams have multiple characteristics, including having complimentary skills, being mutually accountable, and sharing a long-

term goal. However, teams may be faced with conflicts. Conflict happens when there are differences in values and perspectives resulting in struggles and incompatibility.

Criteria for successful team performance

Interpersonal attitudes and behaviour

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

Shared values/ Mutual trust and support

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

Communication

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

Co-operation/ Collaboration

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

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

Characteristics of successful team performance

- Successful teams share a common goal as team members are part of the process of setting goals for the group.
- There is a climate of respect/trust and honesty.
- Share a set of team values and implement group decisions.

- Successful teams have sound intra-team relations.
- Teams value the contributions of individual members and reach consensus on differences.
- Team members enjoy open communication and deal with items of conflict immediately.
- Teams are accountable and members know the time frame for achieving their goals.
- Teams pay attention to the needs of the individual team members.
- Creates an environment where team members are given opportunities to develop so that team members grow and learn from the experience of working in a team.
- Regular reviews of team processes and progress may detect/solve problems sooner.
- Balance the necessary skills/knowledge/experience/expertise to achieve the objectives.

The stages of team development

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

DESCRIPTION OF EACH STAGE OF TEAM DEVELOPMENT

Forming stage

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

Storming

- Teams go through a period of unease/conflict after formation.
- Different ideas from team members will compete for consideration.
- Team members open up to each other and confront each other's ideas/ perspectives.
- Tension/struggle/arguments occur and upset the team members/there may be power struggles for the position of team leader.
- In some instances, storming can be resolved quickly; In others, the team never leaves this stage.
- Many teams fail during this stage as they are not focused on their task.
- This phase can become destructive for the team/will negatively impact on team performance, if allowed to get out of control.
- This stage is necessary/ important for the growth of the team.
- Some team members tolerate each other to survive this stage.

Norming/Settling/reconciliation

- **The conflict during the storming stage must be resolved to allow the team to move to the norming stage.**
- Team members come to an agreement and reach consensus.
- Roles and responsibilities are clear and accepted.

- Processes/working style and respect develop amongst members.
- Team members have the ambition to work for the success of the team.
- Conflict may occur, but commitment and unity are strong.

Performing stage/Working as a team towards a goal

- Team members are aware of strategies and aims of the team.
- They have direction without interference from the leader.
- Processes and structures are set.
- Leaders delegate and oversee the processes and procedures.
- All members are now competent, autonomous and able to handle the decision-making process without supervision.
- Differences among members are appreciated and used to enhance the team's performance.
- **The processes involved in achieving the goals are adhered to and team members appreciate the contributions of fellow team members.**
- **Individual team members collectively work towards the goals of the team**

Adjourning/Mourning stage

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

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

Importance of team dynamic theories in improving team performance

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

CONFLICT RESOLUTION

Explanation of causes of conflict in the workplace

- Lack of proper communication between management and workers.
- Ignoring rules/procedures may result in disagreement/**differences in opinions** and conflict.
- Management and/or workers may have different personalities/ backgrounds.
- Different values/levels of knowledge/skills/experience of managers/workers.
- Little/no co-operation between internal and/or external parties/stakeholders.
- Lack of recognition for good work such as manager not showing appreciation for extra hours worked to meet deadlines.

- Lack of employee development may increase frustration levels as workers may repeat errors due to a lack of knowledge/skills.
- Unfair disciplinary procedures, e.g., favouritism/nepotism.
- Little/no support from management with regards to supplying the necessary resources and providing guidelines.
- Leadership styles used, e.g., autocratic managers may not consider worker inputs.
- Unrealistic deadlines/Heavy workloads lead to stress resulting in conflict.
- Lack of agreement on mutual matters, e.g., remuneration/working hours.
- Unhealthy competition/Inter-team rivalry may cause workers to lose focus on team targets.
- Lack of commitment/Distracted by personal objectives which may lead to an inability to meet pre-set targets.
- Constant changes may cause instability.
- Lack of clarity regarding employees' roles and responsibilities.
- **Lack of commitment/distracted by personal objectives which may lead to an inability to meet pre-set targets,**
- **Complaints/Criticism of performance/behaviour/attitudes may result in resentment between the employer and employee.**
- **Poor organisation/procedure resulting to confusion regarding set targets.**

Handling conflict in the workplace/Conflict resolution steps/techniques

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

DEALING WITH GRIEVANCES AND DIFFICULT PEOPLE/PERSONALITIES

Differences between grievance and conflict

GRIEVANCE	CONFLICT
When an employee is unhappy/ has a problem/complaint in the workplace.	Clash of opinions/ideas/viewpoints in the workplace.
It is when an individual/group has a work-related issue.	Disagreement between two or more parties in the workplace.
It is a formal complaint which requires employee to follow a grievance procedure.	Can be resolved through following proper conflict resolution steps.
Offers employees a channel to express their dissatisfaction	
Examples that can cause a grievance: Discrimination, unfair treatment, poor working conditions.	Examples that can cause conflict: A lack of trust/miscommunication/ personality clashes/different values.

Correct procedures to deal with grievances

- **An aggrieved employee must verbally report the incident/grievance to his/her supervisor/manager.**
- **Supervisor/Manager needs to resolve the issue within 3 to 5 working days.**
- Should the employee and supervisor not be able to resolve the grievance, the employee may take it to the next level of management.
- The employee may move to a more formal process where the grievance must be lodged in writing/completes a grievance form.
- The employee must receive a written reply in response to the written grievance.
- A grievance hearing/meeting must be held with all relevant parties present.
- Minutes of the meeting must be recorded, and any resolution passed must be recorded on the formal grievance form.
- Should the employee not be satisfied, then he/she could refer the matter to the highest level of management.
- Top management should arrange a meeting with all relevant parties concerned.
- Minutes of this meeting should be filed/recorded, and the outcome/decision must be recorded on the formal grievance form.
- Should the employee still not be satisfied, he/she may refer the matter to the CCMA who will make a final decision on the matter.
- **The matter can be referred to Labour Court/Labour Appeal Court/Constitutional Court on appeal if the employee is not satisfied with the outcome taken by the lower courts.**

Types of difficult personalities

- Complainer
- Indecisive
- Over-agree
- Negativity

- Expert
- Quiet
- Aggressive

Ways in which businesses can deal with difficult personalities

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

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

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

- Get perspective from others who have experienced the same kind of situation to be able to understand difficult employees.
- Act pro-actively, if possible, as a staff/personnel problem is part of a manager's responsibilities.
- Regular meetings with supervisors/departmental heads should help to identify difficult/problem behaviour.
- Ask someone in authority for their input into the situation.
- Identify the type of personality which is creating the problem.
- Meet privately with difficult employees, so that there are no distractions from other employees/issues.
- Make intentions and reasons for action known, so that difficult person/people feel at ease.
- Employees should be told what specific behaviours are acceptable by giving details about what is wrong/ unacceptable and also an opportunity to explain their behaviour.
- A deadline should be set for improving bad/difficult behaviour.
- The deadline date should be discussed with the difficult employee and his/her progress should be monitored/ assessed prior to the deadline.

- Guidelines for improvement should be given.
- Do not judge the person but try to understand him/her/Understand his/her intentions and why he/she reacts in a certain way.
- Keep communication channels open/Encourage employees to communicate their grievances to management.
- Build rapport/sound relations by re-establishing personal connection with colleagues, instead of relying on e-mails/messaging/social media.
- Help difficult employees to be realistic about the task at hand.
- Remain calm and in control of the situation to get the person(s) to collaborate.
- Treat people with respect, irrespective of whether they are capable/ competent or not.
- Sometimes it may be necessary to ignore and only monitor a difficult person.
- Identify and provide an appropriate support program to address areas of weakness.