

# BUSINESS FUNCTIONS

**1** PAPER

**4** TOPIC

## Recap the eight business functions

1. General management
2. Purchasing function
3. Production function
4. Marketing function
5. Public relations
6. Human resources
7. Administration
8. Financial



## Outline/Explain/Discuss the differences between management and leadership

LEADERSHIP	MANAGEMENT
A leader creates a vision/sets direction.	A manager understands the goals of the business.
He/she influences human behaviour	He/she guides human behaviour
Leaders are born with natural/instinctive leadership skills.	A person becomes a manager because he/she is appointed to the position.

**Outline/Describe/Explain/Discuss the importance/purpose of the eight business functions. (Not quality indicators)**

*Identify business functions from given statements/scenarios/case studies*

## **GENERAL MANAGEMENT**

**State/Outline/Explain/Discuss/Describe the three levels of general management.**

### **Top level management**

- **Oversees** the activities of the other functions so that the business can achieve its objectives.
- Comprises of the CEO and directors.
- Develop long-term goals, **strategic** plans, and business policies

### **Middle level management**

- Responsible for specific departments within the business.
- Take medium-term **tactical** decisions.

### **Lower level management**

- Act as role models for employees because they provide supervision, performance feedback, and so on.
- Focus on controlling and directing.

**Outline/Explain/Discuss/Describe the responsibilities of various levels of management.**

### **Top Level Management**

- To manage changes in the business environment.
- Plan the activities of the business.
- To give direction to the vision, mission, goals and objectives.

### **Middle Level Management**

- Controls the people and processes in the business.
- It is the link between top management and lower level management.
- Passes information from top management to lower management.

### **Lower Level Management**

- Offers feedback and suggestions to middle management.
- Implements the objectives of the middle management.
- Motivates and guides workers.

## **Explain/Discuss/Describe management tasks.**

### **Planning**

- This task evaluates the existing activities and goals.
- Different plans are considered to achieve set goals.
- Backup plan/s are put in place if the chosen plan becomes impossible.
- The chosen plan is implemented.

### **Organising**

- This task brings resources together to achieve the set goals.
- Resources include materials, human and financial resources.
- Involves breaking a plan into actions.
- Training is included to ensure that the job/s are carried out successfully.

### **Leading/Directing/Activating**

- Letting staff know what needs to be done, and by when it needs to be done.
- The employees are motivated to contribute to the success of the business.
- Establish a productive working climate.
- Motivate employees to achieve set goals/targets.

### **Controlling**

- Ensure that the business achieves its goals.
- Ensure activities are carried out as planned.
- The risk can be identified during control.
- Compares actual results with goals set by management.

### **Risk management**

- Identify possible risk by finding risk-bearing activities (that is, activities which could go wrong) within the organisation.
- Assist businesses to analyse each possible risk and how likely it is that the risk will happen.
- Evaluate the potential impact of risks in terms of financial liability.
- Controls/monitors the risk by studying reports and trends in the environment so that measures can be taken to prevent it from happening.

*Identify management tasks from scenarios/ case studies/statements*

*Identify the levels of management from given scenarios/statements*

*Identify the levels of management from given scenarios/case studies.*

## ORGANISATIONAL STRUCTURE

### The meaning of the organisational structure

- An organisational structure is a system that outlines how certain activities are directed to achieve the goals of an organisation.
- These activities can include rules, roles, and responsibilities.
- The organisational structure also determines how information flows between levels within the company.

### Name factors that influence the organisation structure

- Size of the organisation
- Strategy
- Technology
- Resources

### Name/Explain/Discuss/Describe three types of organisational structures e.g. functional, project and matrix structures.

#### Functional organisational structure

- Employees get instructions from more than one manager.
- The plans to be executed determines who will be giving instructions.
- This structure confuses employees because they report to more than one manager.

#### Project organisational structure

- Structured around project teams.
- It is a temporary structure because employees are drawn from different departments.
- Employees are then grouped to form a project team that will carry out a particular project.

#### Matrix organisational structure

- Structured around projects but employees remain in their departments.
- A project must be completed up to a certain point.
- The project is then passed on to the next team that will carry out the next phase of the project.

### Outline/Explain/Describe/Discuss the activities of the administration function.

#### 1. Management of information

- The administrative staff need to handle information correctly to avoid making the incorrect decisions based on incorrect information.
- The administration function is responsible for dealing with the following types of information:
  - Keeping all business transactions up to date
  - Collecting and classifying numerical data and statistics
  - Budget business expenses and income for a specific period
  - Account records, which can be used to draw up financial statements and reports

#### 2. Handling of information

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

#### 3. Office practice

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

#### 4. Collection of information

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

#### 5. Information technology (IT)

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

## Outline/Describe/Explain/Discuss the importance/purpose of the administration function

- accounting records, which can be used to draw up financial statements and reports keeping all business transactions up-to-date
- **cost accounting** to determine whether a product can be sold at a competitive price while considering the manufacturing or production costs
  - **budgets**, which is a plan of estimated expenses and income for a specific period
  - collecting and classifying numerical data and **statistics**.

*Identify these activities from given statements/ scenarios/case studies.*

## FINANCIAL FUNCTION

### Meaning of the financial function

- The financial function involves the acquiring and utilisation of funds necessary for efficient operations.

### Outline/Explain/Discuss the importance/ purpose of the financial function.

- Determines how much capital the business needs.
- Establishes the sources for acquiring the capital.
- Decides how to invest/allocate the capital funds in the business.
- Ensures that the business can generate enough income to cover the cost of raising capital

### Define/Explain/Describe the types and sources of financing.

#### 1. Bank Loans

- This is money borrowed from the bank, which will be repaid an agreed upon timeframe.
- Money is repaid with interest.

#### 2. Bank Overdraft

- A bank overdraft is the short-term loan added onto the account of an entrepreneur/business.
- It is repaid with a set interest rate over an agreed upon timeframe.

#### 3. Asset-based loan

- Money is lent to successful businesses that want to expand their operations.
- If the money is not paid back, then the lender will take that asset.

#### **4. Grants**

- This is money provided by the government to small businesses that are in their development phase.
- The money does not have to be paid back if it benefits the community

#### **5. Receivable Finance**

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

#### **6. Angel Funding**

- This is money offered by wealthy entrepreneurs to other businesses in exchange for a share in that business.
- This is usually used when a business is still in its start-up phase, and it carries a high risk for the investor.

#### **7. Venture Capital**

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

*Identify the types and sources of financing from given scenarios/case studies/statements/pictures/cartoons.*

**State/Name/Explain/Discuss the types of capital.**

##### **Fixed Capital**

- The capital that people invest in fixed assets.
- It finances the long term capital needs of the business.

##### **Working/Operating Capital**

- The capital of the business which is used for day-to-day activities
- It finances the short-term capital needs of the business.

##### **Own Capital**

- This type of capital is provided by the owners of the business.
- It could come from their savings, the sale of their assets, or investors.

### **Borrowed Capital**

- This type of capital is money borrowed from financial institutions like banks or persons.
- The money should be paid back with interest

### **Explain the differences between a fixed and working capital.**

#### **Fixed Capital**

- Money pays fixed assets.
- Finances the long-term capital needs of the business.

#### **Working Capital**

- Money pays for day-to-day activity
- Finance the short term capital needs of the business.

### **Explain the differences between own and borrowed capital.**

#### **Own Capital**

- Owner provides capital.
- It is not a liability for a business.

#### **Borrowed Capital**

- Obtained from financial institutions.
- It is a liability for a company.

## **PURCHASING FUNCTION**

### **Meaning of the purchasing function**

- The purchasing function is responsible for buying quality raw materials and services for the business. It should continuously look for suitable, new, and better suppliers.

### **Outline/Explain/ Discuss the importance/ purpose of the purchasing financial function.**

- Continuously looking for the best/reputable suppliers.
- Regularly contacts other business departments to determine their needs.
- Returns damaged goods to suppliers and ensures that it is replaced.
- Negotiates the best possible terms for payment with suppliers.



## Outline the activities of the purchasing function

- They look for suitable, new and better suppliers.
- Make follow up on orders placed with suppliers.
- Ensure that ordered products are delivered on time.
- Record the cost prices and selling prices of stock.

## Explain/Describe/Discuss the purchasing procedure.

### 1. Determine the need for the product/Requisition.

- Liaise with the financial department to establish the budget for purchasing goods and services.
- Determine the product/material/resource needs of the businesses.

### 2. Determine the price of the product.

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

### 3. Select/Choose a suitable supplier.

- The purchasing department should choose reliable suppliers for its **raw materials**/products.
- The purchasing department should conduct a thorough investigation about potential suppliers, their reputation and reliability.

### 4. Place an order.

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

### 5. Collect or receive the order.

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

### 6. Pay the supplier.

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

### 7. Distribute stock.

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

## 8. Complete the order.

- The purchasing department ensures that all the correct documentation is in place and filed for future reference

### Explain the differences between cash and credit payment.

CASH PAYMENTS	CREDIT PAYMENTS
Cash payment refers to all payments made by cash/cheque for business purchases immediately.	Credit payment refers to all payments on a future date.
Cash payments have an immediate effect on the cashflow of the business.	Credit payments results in the creation of assets (receivable)/liabilities of the business (payable).
Cash payments can qualify for cash discounts.	The credit payer can pay more for goods because of the interest added onto credit payments.

### Explain/Discuss the importance of stock Control. (4 facts)

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

## NATIONAL CREDIT ACT

### Purpose of the National Credit Act (NCA)

- Promotes the development of a credit market that is accessible to all South Africans.
- Encourages responsible buying.
- Discourages **reckless** credit granting by credit providers.
- Educates consumers on making the right choice when applying for credit.

### **Outline the consumer rights as outlined in the NCA.**

- apply for credit
- receive information in their official language
- be protected from unfair discrimination in granting credit
- be given reasons why a credit application is refused

### **Outline/Explain/Describe/Discuss the responsibilities of credit providers.**

- Credit providers should conduct a credit assessment to ensure that consumers can afford the debt.
- Check the most recent payslip or bank statement to ensure the consumer has an income.
- Consider other expenses of the consumers.
- Consider the consumer's debt repayment history.

### **Outline/ remedies of the NCA e.g. the Consumer Tribunal, National Consumer Commission, Consumer Court and an appropriate Ombudsman.**

#### **The Consumer Tribunal**

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

#### **National Consumer Commission**

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

#### **Ombudsman**

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

### **Impact (positives/negatives) of National Credit Act (NCA)**

- Lowers bad debts resulting in better cash flow.
- Protects business against non-paying consumers.
- The purchasing department must know the terms and conditions of credit granting and the NCA.
- It may take longer to purchase goods, and this could influence the overall efficiency of the business.

## CONSUMER PROTECTION ACT

### Purpose of the Consumer Protection Act (CPA)

- Promotes responsible consumer behaviour.
- Strengthens a culture of consumer rights and responsibilities.
- Establishes national standards to protect consumers.
- Establishes a National Consumer Commission (NCC).

### Impact (positives/negatives) of Consumer Protection Act (CPA)

- + Businesses may be safeguarded from dishonest competitors.
- + Businesses may be protected if they are regarded as consumers.
- Confidential business information may become available to competitors.
- Penalties for non-compliance may be very high.

## PUBLIC RELATIONS

### Outline/Explain/Describe/Discuss the importance/purpose of the public relations

- Businesses get publicity for promotional events and information through media.
- News conferences may be called to release information, which will ensure the survival of the business.
- Employees may volunteer to spend time with people in need, for example, volunteering at orphanages/hospitals/schools, and so on.
- Businesses could sponsor community events.
- Brochures can also be used to distribute information about the company.

### Differentiate/Distinguish between external and internal public relations.

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

## **Outline/Explain/Discuss the methods of carrying out public relations.**

### **Media**

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

### **Direct contact**

- Information about the business is passed on to the members of the public who have been clients/consumers of the business before.
- Direct contact with employees or telephonic communication is a popular form of public relations.

### **Brochures**

- Brochures are an excellent way of distributing information cost-effectively.

### **Exhibitions**

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

### **Social responsibility**

- The business uplifts the community because the community supports the business by buying their product/s.

### **Transit advertising**

- Advertising on vehicles such as taxis, busses, vans, and so on.

### **Use of the telephone**

- A potential customer phones the business to enquire about something, the person answering the phone is perceived as the business.
- If the potential customer is pleased with information, that person opt to become a permanent customer

*Identify these methods from given scenarios/case studies /statements / pictures/cartoons.*