



# **Business Studies**

*Learner's Workbook*

**Grade 11**

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# How to use the Learning Channel Business Studies programme for Grade 11

Congratulations and thank you for choosing this Learning Channel Business Studies Grade 11 programme.

This Business Studies programme is comprehensive and covers all the Learning Outcomes, Assessment Standards, knowledge, key concepts and skills for this subject as stated in the National Curriculum Statement – everything you need to make a success of your world. However, it does not replace your teacher or textbook!

This Learning Channel programme is for everyone ... you may be using this at home or in your classroom with your teacher and classmates. You may have chosen this programme because you are struggling with Business Studies and as a result you're not achieving the grades you know you deserve. Or you may be using it because it will help you earn the distinction you've set as your goal. Wherever you are and whatever your reason, this programme will give you the head start you need.

The Learning Channel programme consists of three components:

- Lessons to watch on DVD;
- A learner's workbook, with exercises and activities for you to complete; and
- If you are connected to the Internet, the Learning Channel website.



## Here are some tips on how to make the most of this programme.

Before sitting down to study, make sure you have the following to hand:

- The Learning Channel Business Studies for Grade 11 DVD;
  - The Learning Channel Business Studies for Grade 11 Learner's Workbook;
  - Pen and paper; and
  - Your DVD remote control – if you are watching this on a DVD player.
- Insert the Learning Channel Business Studies for Grade 11 DVD disc into your computer or DVD player. Press play.
- The subject name and grade will appear, followed by the title of the lesson, the lesson number and the duration of the lesson.
- Next, you will be told what lesson to turn to in your workbook.
- The Learning Outcomes and Assessment Standards will appear, followed by the lesson overview. This will tell you exactly what you will be expected to do by the end of the lesson.

We suggest that you watch the entire lesson before working in the workbook. While watching the lesson you can stop the DVD when you need to review or refresh what has been said or if you want to take down notes.

While watching the lesson you will also see the PAUSE icon. This alerts you to an activity you can complete in the workbook. If you feel that you are ready to try this concept or skill-related activity press the PAUSE button on your remote control, television or computer screen and complete the activity. Press PLAY once you have completed the activity.

At the end of the lesson you will see a summary of the key concepts covered. If you've been taking notes you can jot these down or find them in your workbook.











- All the exercises and activities are designed so that you can complete them on your own. Some activities, however, can also be completed with a partner, in a group or as a class. These opportunities are clearly indicated with icons (see page viii).
- Check your answers against the solutions provided at the end of the workbook. Errors may indicate that you have missed or not understood key concepts. Watch the lesson again, refer to any notes you have made and redo the activities you did not master.

The Learning Channel website offers extra features, such as subject glossaries, past exam papers, study tips and the National Curriculum Statement. Visit the website to make use of the extra features.

If you are a teacher using this programme with your class, you will find teacher tips at the end of the Learner's Workbook. These tips will help you use the DVD lesson and convey its content to your learners.



## What the icons mean

-  **DVD** DVD – watch the lesson
-  **INDIVIDUAL** Individual work – do this activity on your own
-  **PAIRS** Pair work – do this activity with a partner
-  **GROUPS** Group work – do this activity in a group
-  **CLASS** Class work – do this activity as a class
-  **SELF ASSESSMENT** Self-assessment – assess yourself
-  **BASELINE ASSESSMENT** Baseline assessment – what I know before starting (prior knowledge)
-  **FORMATIVE ASSESSMENT** Formative assessment – how I am progressing
-  **SUMMATIVE ASSESSMENT** Summative assessment – a check of what I know
-  **PROJECT** Project – a project to research and present
-  **COLLECTION OF EVIDENCE** Collection of evidence – include in your portfolio





# Your Learning Channel presenters

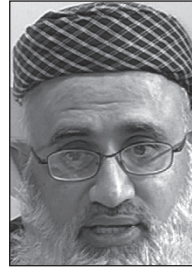
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Donovan Lawrence



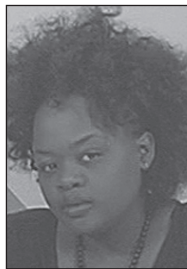
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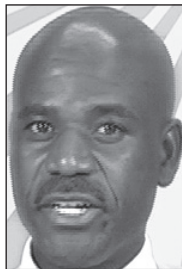
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Nelson Mogodi



Moira Clarke



Mvelo Phungula



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## Mathematics

## Life Sciences



Cathy Hastie



Farida Cassim



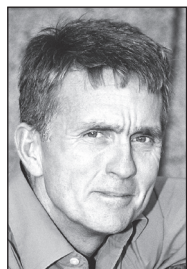
Zikhona Ntsangani



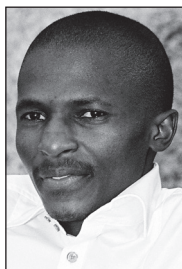
Juliet Glover

## Life Orientation

## Mathematical Literacy



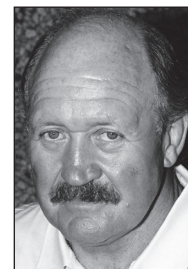
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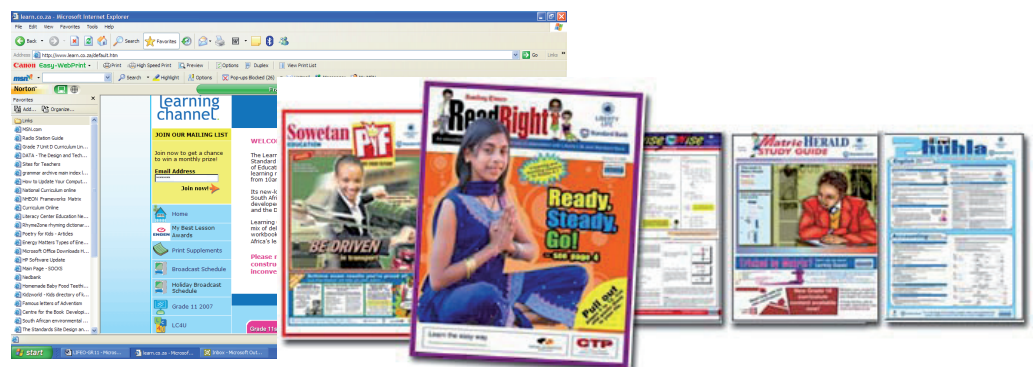
Other products in the Learning Channel Grade 11 series:

- Learning Channel English FAL for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel Mathematics for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel Mathematical Literacy for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel Life Sciences for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel Life Orientation for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel Physical Sciences for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel English Home Language for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel Afrikaans FAL for Grade 11 DVD lessons and Learner's Workbook
- Learning Channel Accountancy for Grade 11 DVD lessons and Learner's Workbook

The Learning Channel (in conjunction with Liberty Life, Standard Bank, SABC Education and the Department of Education) is one of the world's leading televised learning resources, broadcast on SABC1 on lesson days from 10am to noon.

Its new-look, new-generation content – reflecting South Africa's updated curriculum – has been developed in close collaboration with SABC Education and the Department of Education.

Learning Channel's latest broadcasting endeavours are also supported by a potent mix of delivery platforms – including the Internet, newspapers, hi-tech audio-visual aids, workbooks and SMS – to ensure it maximises its much-needed reach to South Africa's learners.



Learning Channel offers an extensive range of educational material on video or DVD. You can order 15-20 hours of interactive learning with a tutor, accompanied by a workbook to be used in the privacy of your own home or school.

CDs with digitised video lessons are also available.

To order your Learning Channel CDs, DVDs, videos and workbooks, please contact Takalani. E-mail: [info@learn.co.za](mailto:info@learn.co.za) Phone: (011) 639-0170

# BUSINESS ENVIRONMENTS

## The three business environments

### Learning Outcomes and Assessment Standards

#### Learning Outcome 1

##### Business Environments

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenging environments on business practice in all sectors.*

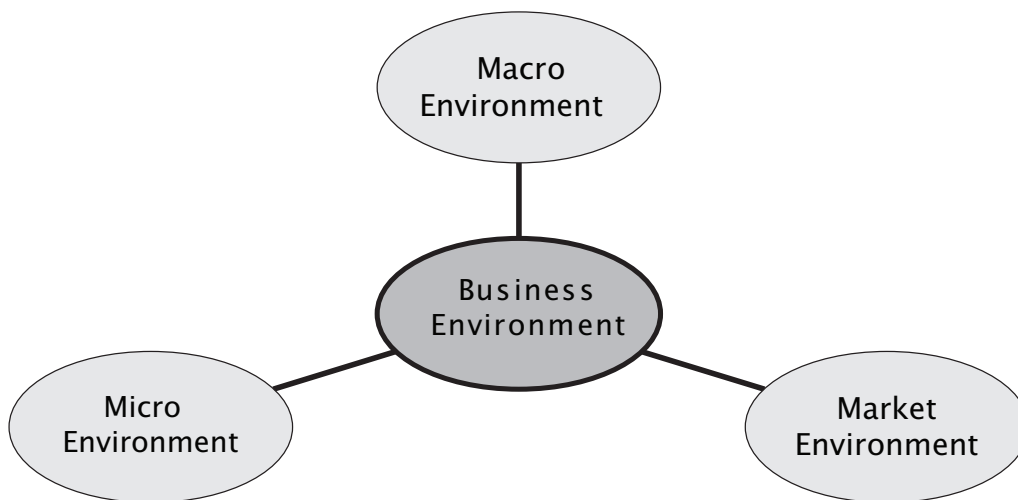
##### Assessment Standard

*Identify and discuss how a business constantly needs to adapt to the challenges of the micro (internal), market and macro business environments.*

Lesson

1

### Lesson



The diagram above indicates that the business environment consists of three different levels, namely;

- The micro environment
- The macro environment
- The market environment

The micro environment is the internal environment of a business; it is the environment inside a business. It refers to the business itself. Management has complete control over this environment.

The micro environment of a business includes the following different functional areas, in no particular order.

#### ➤ **Operations/production function**

The operations function is responsible for making sure that goods and services are provided by a business, are produced at the right time, at the right price and for the correct market.

#### ➤ **Human resources function**

It involves recruiting new staff and managing existing staff. The human resources manager has to identify the skills and labour needed by a business. The employees have to be motivated into achieving the business's goals.



1

➤ **Purchasing function**

The market has needs which have to be satisfied by means of goods and services. These need to be produced. Purchasing involves the buying of the raw material (inputs) needed to create the product (outputs).

➤ **Financial function**

The financial management ensures that a business has the funds which it needs to run effectively. It also ensures that these funds are used efficiently. This includes both short- and long-term funding.

➤ **Public relations function**

Public relations is about building good relationships and managing existing relationships within the market with customers, suppliers and the community. Businesses contribute to the community by sponsoring events or protecting the environment.

In simpler words, we can say public relations is about promoting the business itself.

➤ **Marketing function**

The marketing concerns itself with understanding customer needs and requirements. It deals with transferring the goods and services from a business to the consumers. This can be, for example, by means of an advertisement which makes consumers aware of the product (Remember there is more to marketing than just advertising).

➤ **Administrative/information function**

Information has to be collected, organised and stored in a way that is easy to retrieve. Nowadays information can be stored using computer-based information technology.

➤ **General management**

General management sets the overall direction for a business. It keeps all the other functions together. In doing so, it ensures that the activities of the other functions are directed towards achieving a business's goal.



## Activity 1

### SECTION A

#### QUESTION 1

Study the following key words/pictures and identify the business function which it represents in the micro environment.

- 1.1 Obtaining a loan from ABSA bank.
- 1.2 Compiling a report on the previous year's sales figures.
- 1.3 Using resources to create a new product.
- 1.4 Keeping in contact with suppliers.
- 1.5 Promoting a new product.
- 1.6 Focussing on the image of a business.
- 1.7 Setting the mission statement of a business.

## QUESTION 2

Link the examples in column A to the correct market environment in column B.

COLUMN A	COLUMN B
2.1 First National Bank and ABSA Bank	A. Trade Union
2.2 QUICK transport company	B. Suppliers
2.3 COSATU	C. Competitors
2.4 Two political parties, e.g. the ANC and the DA	D. Intermediaries
2.5 Makro Centre	E. Alliance

## QUESTION 3

State whether the following statements are TRUE or FALSE. (If FALSE, change the **underlined** words to make the statements TRUE.)

- 3.1 Businesses have direct contact with different variables in the macro environment which are all controllable.
- 3.2 The technological environment is seen as one of the fastest growing environments.
- 3.3 The social environment includes relationships that South Africa has with other countries.
- 3.4 The institutional environment involves the major role that all banks play in our society.
- 3.5 The concept of Black Economic Empowerment (BEE) is an integrated socio-economic process that is part of the South African government's transformation programme.

## SECTION B

### QUESTION 4

Answer the following questions.

- 4.1 The public relations department in a business plays a very important role.  
Do you agree with this statement? Motivate your answer.
- 4.2 What is the difference between the micro environment and the macro environment? Explain in your own words.
- 4.3 Give an example of a business getting involved in a social responsibility programme.
- 4.4 What is an example of an “environmentally unfriendly product”?
- 4.5 Is it possible for the management of a business to influence the market environment? Elaborate on your answer.





Lesson 2

# BUSINESS ENVIRONMENTS

## The macro environment and the market environment

### Learning Outcomes and Assessment Standards

**Learning Outcome 1****Business Environments**

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenging environments on business practice in all sectors.*

**Assessment Standard**

*Compare and describe the extent to which a business can control and influence the micro (internal), market and macro business environments.*



### Lesson

#### INTRODUCTION

A business and the environment in which it operates are not closed systems; they depend on each other for survival. A business cannot function independently and needs to adjust all the time to changes in the macro environment and market environment.

**The macro environment**

There are different factors (variables) in the macro environment that have an influence on a business. Some of these variables are: technology, the economy, social activities, physical factors, legal issues, politics, the government and international trade.

Let's look at each of these variables individually:

**Technology**

It is very important for a business to make effective use of advanced technology. Sophisticated electronics and computers to produce the necessary products and services can replace machinery and some labour. Businesses cannot control this variable but only adjust to changes in this environment.

**The economy**

Forces such as levels of employment, interest rates, the economic growth rate and exchange rates cannot be controlled by a business. A business can, however, have some influence on this environment by creating jobs and therefore help to increase the economic growth rate.

**Social environment**

Businesses need to get involved in social responsibility programmes, e.g. a company sponsoring food and blankets to a poverty-stricken community.

**Physical factors**

Businesses also have a responsibility towards their physical environment. They need to minimise or avoid pollution, and implement waste management. Remember, there are only limited resources available, so we need to manage these well.



## **Legal environment**

This environment includes all the rules, laws and restrictions that all business and individuals need to adhere to. Some of these laws (Acts) are: the Labour Relations Act, the Employment Equity Act, etc.

## **Political environment**

During elections, citizens of this country elect a political party to form a government to represent them. All businesses need to adhere to all legislation set by this elected government.

## **The government**

This is also known as the institutional environment. Government plays an important role in the economic and social environment of the country. It has to set certain objectives for the country such as: sustainable economic growth to increase the employment rate, etc. All businesses need to support the government in these objectives.

## **International trade**

This variable includes trade with other countries. South Africa needs to import certain products from other countries and earns foreign currency by exporting products to other countries. All businesses need to ensure that they produce good-quality products and build good relationships with foreign businesses.

## **The market environment**

Factors affecting a business such as customers, competitors, suppliers, regulators and strategic allies are the variables that make up the market environment. A business does not have full control over these variables, but it will be able to influence them to a certain extent.

The market environment has a very strong influence on the success of a business, therefore a business needs to be aware of all changes in this environment.

## **Customers (consumers)**

A business continually needs to do research on the needs and buying behaviour of consumers. Factors such as culture, personal preferences, social orientation and the motivation for people's actions are very important.

## **Competitors**

Competition arises when one business sells more or less the same product as another business. Businesses need to know their competitors to be able to improve on what they provide (better-quality products, services or lower prices).

## **Suppliers**

They are manufacturers and wholesalers which provide a business with resources to produce components or final products to sell. Good relationships with suppliers ensure prompt delivery, competitive prices and quality raw materials.

## **Regulators and trade unions**

The relationship between a business and this variable is very important. Trade unions represent the workers' interests and protect them against unfair treatment by the business. A good relationship with trade unions ensures a good







## Activity 2

Match an element of the macro environment in Column A with an appropriate phrase in Column B that describes an aspect of that specific environment.

A. Macro environment	B. Description
1. Political and legal	(a) A landscape that includes forests, deserts, rivers, lakes and mountains
2. Demographic	(b) The Constitution and Bill of Rights in South Africa which protect the rights of individuals
3. Natural	(c) Knowledge and information flows of increasing importance in many businesses
4. Technological	(d) South African business faces increased global competition as well as opportunities
5. International	(e) The sum total of languages, value systems, cultural norms and preferences
6. Cultural and social	(f) The rate of economic growth
7. Economic	(g) The composition of a country's inhabitants



## Activity 3

Indicate whether the following are TRUE or FALSE.

1. The market environment is the immediate environment in which the business operates.
2. A customer supplies a business with raw material.
3. An element of the economic environment includes the economic growth rate.
4. The role of intermediaries is to distribute goods from the producer to the consumer.
5. The micro environment includes the forces and activities that are immediately outside a business.





# BUSINESS ENVIRONMENTS

## Challenges of the three business environments

### Learning Outcomes and Assessment Standards

#### Learning Outcome 1

#### Business Environments

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenging environments on business practice in all sectors.*

#### Assessment Standard

*Identify and discuss how a business constantly needs to adapt to the challenges of the micro (internal), market and macro business environments.*



### Lesson

#### Problems facing the business environment

##### 1. Problems facing the macro environment

#### The scarcity of natural resources

South Africa has a shortage of certain raw materials. This affects businesses that need these resources to manufacture their products. The business could perhaps change its product line to something that does not require the scarce material.

#### Political challenges

Government influences the way businesses are run. It does this by setting regulations by which businesses have to abide, e.g. part of government's plan is to redress the imbalances of the past. Businesses have to employ previously disadvantaged groups, and management structures also have to be changed.

#### Social challenges

One of the most difficult challenges businesses have to deal with today is the problem of HIV/AIDS. This pandemic affects the work force; businesses cannot function properly without productive staff.

Other social challenges include crime, lack of education, etc. Businesses have to find ways to deal with these problems.

#### Technological changes

There have been many technological advances throughout the world, in particular to information and communication infrastructures. Businesses that do not use information technology are at a serious disadvantage. Communications technology has become much faster and more efficient.

#### International environments

Foreign competition poses a difficult challenge to local businesses. Consumers have the choice of buying any product that suits their needs. If a foreign company offers products at lower prices, then consumers have the choice to buy these. On the other hand, exporting goods can be an advantage for local businesses.



Businesses have no control over the macro environment, but it is important that they are always ready to deal with these challenges. It is important to note that not only problems but also opportunities arise from the macro environment.

## **2. Problems facing the market environment**

### **Consumer problems**

All businesses are started to satisfy some consumer need, and in return earn income and generate a profit. Consumer behaviour changes with time, because tastes and habits change. This is a challenge for businesses because they have to keep abreast with these changing needs. Thorough research needs to be conducted from time to time to find out how needs have changed and what a business can do to fulfil the new needs.

### **Suppliers**

The role of suppliers is to provide a business with its raw materials. It is essential that businesses form strong relationships with their suppliers. Suppliers who are reliable and efficient are essential.

### **Competition**

Every business wants to have its share of the market. The entry of new businesses that sell similar products or substitutes are a threat to businesses. A business may have to change its strategy so that it can maintain its share of the market.

## **3. Problems facing the micro environment**

### **Employees**

A business needs employees to make it run. In return, employees earn an income. Employers and employees must strive to maintain good relationships with each other, because they need each other. When employees do not do the work they have been appointed to do, this causes problems, because someone else has to carry the burden.

### **Labour unions**

Workers join labour unions, which help them to resolve disputes with their employers. They can pose a threat to businesses because unresolved issues can lead to labour action or strikes, when workers will refuse to work until a solution is found.



INDIVIDUAL



SELF ASSESSMENT



BASELINE ASSESSMENT

## Activity 1

Complete the following statements by filling in the missing word or words.

- 1.1 A business without a \_\_\_\_\_ is a business without a purpose.
- 1.2 It is very important that a business receives its raw material \_\_\_\_\_ from its suppliers.
- 1.3 The \_\_\_\_\_ department needs constantly to research the preferences of consumers.
- 1.4 \_\_\_\_\_ changes determine the way consumers live, work, produce and spend.
- 1.5 \_\_\_\_\_ protect the workers' rights in the workplace.



INDIVIDUAL



SELF ASSESSMENT



BASELINE ASSESSMENT

## Activity 2

Link the explanations in column A to the correct **macro environment** in column B.

COLUMN A	COLUMN B
2.1 Changes in laws that address the rights of workers	F. Economic environment
2.2 The launch of a new political party called "Equal for all"	G. Social environment
2.3 A drop in the employment rate	H. Political environment
2.4 New HIV/Aids programmes created by a business	I. Legal environment
2.5 An increase in total exports to the UK	J. International environment



INDIVIDUAL



SELF ASSESSMENT



BASELINE ASSESSMENT

## Activity 3

Explain the following concepts IN YOUR OWN WORDS.

- 3.1 The macro environment
- 3.2 Demographics
- 3.3 Globalisation
- 3.4 Monopoly
- 3.5 Legislation
- 3.6 Mergers
- 3.7 Alliances



GROUPS



FORMATIVE ASSESSMENT

## Activity 4

Analyse and interpret "social responsibility". Why do you think a business needs to be socially responsible?

## Activity 5



Some businesses find it difficult to have complete control over the business environment.

Identify FOUR components of the macro-environment and briefly explain whether the business has complete control over the components or not.

It is important for managers of business ventures to take careful note of the changes and challenges that exist within the market environment.

Discuss how your business will adapt to the challenges of any FOUR components of the above-mentioned environment.



Lesson 4

# BUSINESS ENVIRONMENTS

## Contemporary Socio-economic Issues

### Learning Outcomes and Assessment Standards

#### Learning Outcome 1

##### Business Environments

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenging environments on business practice in all sectors.*

##### Assessment Standard

*Analyse and interpret the impact and challenges of contemporary socio-economic issues on business operations, and make decisions for specific business situations.*



## Lesson

### Part 1

In Part 1 we ask: What are the different socio-economic issues?

### INTRODUCTION

This section involves the study of different contemporary issues and challenges that affect businesses and the members of a society.

#### Socio-economic issues

There are a variety of socio-economic issues that have an influence on a business and its community. Socio-economic issues vary from country to country and even in different communities.

Let's look at some of these issues individually:

#### 1. HIV/AIDS

HIV is a virus that causes AIDS. The greatest threat to workers' health in our country is HIV/AIDS. The prevalence of the disease is most severe within the 15-49 age group and therefore the country's labour force is affected directly. This is a threat to all businesses because it affects productivity in the workplace (e.g. a decline in productivity and a drop in production of goods and services.)

#### 2. Poverty

Poverty is the inability of people to attain a basic lifestyle (standard of living). These people often have inadequate income to satisfy their basic needs. (Basic needs include housing, clean water, transport, etc.)

#### 3. Unemployment

Unemployment is a term that refers to those people who are able to do some work and who are often also eager to work but for whom no jobs are available. This is unfortunately an ongoing and problematic condition in the whole of South Africa. If people are unemployed, they do not earn any income and therefore cannot afford to be consumers.

#### 4. Inflation

Inflation takes place when the general level of prices for goods and services keeps increasing. If products and services become too expensive, this will lead to a drop in the demand for them and people will stop buying them.



## 5. Social, demographics and cultural issues

Consumers act and buy products and services according to their needs, influenced by their culture, religion and social behaviour. Demographics refer to changes in, for example, the size of a population, and this will directly influence the market in which a business operates.

## 6. Income

Income plays a very important role in how consumers act. If there is an increase in the general income of consumers, there will be a general increase in the demand for certain products (e.g. luxuries). If there is a decrease in the income of consumers, there will be a decrease in the demand for products and services and therefore consumers will buy less.

## CONCLUSION

The management of a business is today faced with a variety of challenges: both those that affect society as a whole and those that have a direct influence on the success of a business.

### Activity 1

Answer the following questions IN YOUR OWN WORDS:

- What is HIV/AIDS?
- What is inflation?
- Why are people living in poverty?



### Activity 2

Complete the following statements by filling in the missing word/s:

- A \_\_\_\_\_ worker is someone who has adequate skills to do a specific job.
- The increase in a consumer's income will enable him or her to buy \_\_\_\_\_ products and services.
- Inflation leads to an \_\_\_\_\_ in the prices of products and services.
- Baseline assess involves the growth and change in the composition of a country's population.
- People whose income is not enough to satisfy their basic needs experience \_\_\_\_\_.





## Part 2

### INTRODUCTION

In Part 2 we ask: What is the impact of all the issues mentioned so far on a business and its environment?

#### **The impact of socio-economic issues**

##### **1. Crime**

The risks that poor people face when trying to secure a basic standard of living has a negative impact on business communities. Some people turn to crime as a way to satisfy their basic needs. By committing crime (theft, etc), these people can have a negative affect on a business.

##### **2. Piracy**

Some people are involved in piracy. Piracy is the illegal copying and selling of computer software programmes and music. This has a direct influence on, for example, the music and entertainment industries and affects negatively the success of these businesses.

##### **3. Dumping**

If a business has an excess of certain products (because of a drop in the demand for those products), they often sell them for a much cheaper price. This has a direct influence on other businesses, because those businesses cannot compete with the lower price.

##### **4. Lack of skills and illiteracy**

In South Africa, we have an oversupply of unskilled workers. These people cannot provide for themselves because they do not have the skills required to do specific jobs and therefore often turn to crime to provide for their basic needs.

##### **5. Scarce resources**

People and businesses have unfortunately destroyed or depleted many natural resources all over the world (by mining, deforestation, pollution, etc). When resources become scarce, this can impact negatively on businesses that need these resources to be able to operate.

##### **6. Change in the labour force**

HIV/AIDS in South Africa has killed many people and made others too ill to work. Those who are ill often depend on the government to provide them with an income and this again has an influence on consumers' spending patterns. (Consumers pay higher taxes to government and therefore have less to spend on products and services.)

### CONCLUSION

The influence of socio-economic issues on a business cannot be ignored. The management of each business (even the smallest) needs to keep this in mind and try to manage these effects to the best of their ability.



### Activity 3

Indicate whether each of the following statements is TRUE or FALSE:

- a) South Africa is free of the problems of illiteracy and lack of skills.
- b) HIV/AIDS has a positive effect on the labour force of the country.
- c) There is a shortage of some resources in South Africa.
- d) People will buy more if there is a decrease in their overall income.
- e) Crime can be seen to be the result of poverty.



### Activity 4

Provide an example for each of the following:

- a) A change in demographics
- b) Cultural/religion issues
- c) Social issues



### Activity 5

In South Africa HIV/Aids is an extremely serious illness, not only for the infected, but also in terms of the effect it has on the economy. Business operations are further affected by unemployment, poverty and crime.

Provide a detailed evaluation of the impact and challenges of the above-mentioned socio-economic issues on business operations.





## BUSINESS ENVIRONMENTS

### Links between the business sectors

#### Learning Outcomes and Assessment Standards

**Learning Outcome 1  
Business Environments**

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenging environments on business practice in all sectors.*

**Assessment Standard**

*Identify and investigate the links between various primary, secondary and tertiary enterprises.*



### Lesson

This section studies business activities and how they are divided into three different sectors known as primary, secondary and tertiary sectors.

### Part 1

#### INTRODUCTION

When a product is produced, it goes through various stages before it reaches consumers.

#### Primary sector

The primary sector is involved with the extraction of raw materials from the natural environment. Examples of such materials are trees and minerals. Some resources which are taken from nature are renewable: more trees can be planted, but other raw materials cannot be replaced, such as minerals that have been mined.

The following make up the primary sector:

- Agriculture
- Mining
- Forestry
- Fishing

#### The importance of the primary sector

The primary sector is the main source of income for farmers, miners, foresters and fishermen. It also influences the growth of industries which process the raw materials for consumption, which creates more jobs.

#### CONCLUSION

The primary sector is the first stage of production. At this stage, many raw materials, such as metals and minerals, cannot be used by the end user (consumer).



## Activity 1



- 1.1 Explain what the primary sector is.
- 1.2 Name the three categories into which the primary sector can be divided.
- 1.3 Explain the various reasons why the primary sector is of great importance to our economy.



## Part 2

### INTRODUCTION

Raw materials have to be processed before they can be used by consumers.

#### Secondary sector

The secondary sector is the stage at which natural resources are processed and made into final products which can be used by consumers. In many cases, factories which process raw materials are located close to where they are extracted. In other cases, they have to be transported from the primary source to the secondary sector.

The secondary sector includes:

- Manufacturing
- Electricity, gas and water supply
- Construction

#### The importance of the secondary sector

When more factories are opened, more people get jobs. It is important that the country produces as much of its own goods and services, so that these do not have to be imported. Imports can kill the local industry.

### CONCLUSION

The secondary sector plays an important role in the economy by facilitating the flow of goods from the primary sector to the tertiary sector. Consumers usually cannot get hold of goods or services without the tertiary sector. Transport plays a very important role in linking the three sectors together.





## Activity 2

- 2.1 Explain what the secondary sector is.
- 2.2 Name the three categories into which the secondary sector can be divided.
- 2.3 Explain the various reasons why the primary sector is of great importance to our economy.



## Part 3

### INTRODUCTION

Industries that process raw materials into consumer goods are often located far from residential areas. Many industries may be located in a different town or province.

#### Tertiary sector

The tertiary sector distributes goods to consumers. It also provides services such as commercial and professional services.

The activities of the tertiary sector are divided into:

- Wholesale and retail
- Transport, storage and communication
- Finance

#### The importance of the tertiary sector

The tertiary sector is the highest contributor to GDP in South Africa and also provides many jobs. Consumers also get to know about products because of advertising by the tertiary sector.

### CONCLUSION

Activities in the tertiary sector facilitate the flow of goods and services from the other sectors to consumers. It also provides funding and financial services, not only to consumers but also to other businesses.

The three sectors can be located in different geographic areas. Transport and agents play an important role in linking the three sectors together.

## Activity 3



3.1 Explain what the tertiary sector is.

3.2 Name the three categories into which the tertiary sector can be divided.

3.3 Explain the various reasons why the tertiary sector is of great importance to our economy.





# BUSINESS VENTURES

## The entrepreneur

### Learning Outcomes and Assessment Standards

#### Learning Outcome 2 Business Ventures

*The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.*

#### Assessment Standard 1

*Analyse the degree to which a business embraces entrepreneurial qualities.*



## Lesson

### INTRODUCTION

In this lesson we study the importance of entrepreneurs and the specific qualities an entrepreneur needs to succeed.

### Part 1

#### INTRODUCTION

Entrepreneurs play a very important role in our country. Entrepreneurs are the driving force behind the economy in a country such as South Africa.

#### What is an entrepreneur?

An entrepreneur is a person who notices a gap in the market (an opportunity) and takes the initiative to begin a new business enterprise to fill that gap. The entrepreneur also takes the informed risk and organises how the business will be run.

#### Activity 1



Can you think of well-known business people in our country who are regarded as successful entrepreneurs?



### Part 2

#### INTRODUCTION

Entrepreneurs have a special combination of the right kinds of qualities, personality, management styles and characteristics.

They are usually gifted people, although it is possible, to a certain extent, to train some people to become entrepreneurs.

#### Qualities of an entrepreneur

##### 1. Always positive



Entrepreneurs must always have a positive approach to finding solutions for problems and in daily activities. They need to focus on what could go right instead of focussing on what could go wrong. They must be able to turn threats into opportunities.

## 2. A hard worker

Entrepreneurs need to work very hard and must not be scared of challenges that arise.

## 3. Ability to identify opportunities

Entrepreneurs are able to identify gaps in the market. They will use the opportunity to start a new business, for example, by replacing an already existing product with a better invention.

## 4. Perseverance

The road to success is not easy. Entrepreneurs have a “survival instinct” and the courage and determination to succeed in whatever they want to accomplish. They will have to face many challenges and they therefore need to develop creative strategies with which to overcome these challenges.

## 5. A risk taker

This is an important characteristic that every successful entrepreneur must have. They face many risks each day, of which bankruptcy is perhaps the biggest.

## 6. Creativity

Creativity implies coming up with new and exciting ideas all of the time. Entrepreneurs need to find creative ways of solving problems and they need to be able to spot when there is a need in the market for a new service or product.

## CONCLUSION

People differ in their abilities, skills and personalities. Some people have a good sense for business, for making decisions, taking responsibility and for managing people. Entrepreneurs are people who have the right combination of characteristics with which to make a success of a business venture.

## Activity 2

Indicate whether the following statements are TRUE or FALSE:

- Entrepreneurs can insure their business against the risk of failure.
- An entrepreneur is someone who only works in the mornings.
- Entrepreneurs have the ability to change a threat into a successful outcome.
- Entrepreneurs don't need the skill to work with other people.
- Entrepreneurs must be patient.
- Entrepreneurs can to some extent determine the profits of their business.
- One cannot train a person to become a successful entrepreneur.
- There is a shortage of successful entrepreneurs in South Africa.
- Entrepreneurs play a very important role in a developing country such as South Africa.
- Entrepreneurship can help decrease the high rate of unemployment in South Africa.





### Activity 3



Explain the role and importance of entrepreneurs for the following:

- a) Creating jobs
- b) Ensuring competitiveness



# BUSINESS VENTURES

## Transforming a business plan into an action plan

### Learning Outcomes and Assessment Standards

#### Learning Outcome 2

##### Business Ventures

The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.

##### Assessment Standard

Collaboratively or independently transform a business plan into an action plan.

##### Assessment Standard

Collaboratively or independently start a business venture based on an action plan.



## Lesson

### Part 1



## INTRODUCTION

A business plan gives an overview of a proposed business. It shows which steps an entrepreneur will need to take to turn his/her business idea into a success. It also contains the objectives of the business, i.e. what the business wants to achieve. After a business plan has been compiled, the entrepreneur needs to think of ways in which the plans will be implemented. These implementation plans must be drawn up in what is called the action plan.

Business plans may differ because of different business types, e.g. a service business would not need a production plan because it does not produce any products. All business plans should include, *inter alia*, the following:

### 1. Front page and contents page

- The name of the business
- The name of the owner/s
- Address and telephone numbers for the owner/s
- Business logo

### 2. Introduction

- A brief description of the business
- The aims and objectives of the business

### 3. Detailed description of the business

- The product/service to be sold
- Competitors (who are they)
- The premises and location of the business



#### 4. Marketing strategy

- The target market
- Sales
- How the product will be promoted

#### 5. Financial plan

- How much capital will be needed
- Sources of capital
- How much the product/service costs
- Cash flow projection

#### 6. Suppliers

- Suppliers of raw materials, services and equipment
- Stock control

### CONCLUSION

An entrepreneur needs to put his/her business idea onto paper. The idea is in the form of a business plan. A business plan may be presented to potential investors and/or funders of the business.

### Activity 1

You have just thought of a business idea that you feel is viable. You want ABC Bank to provide funds for your start-up costs. Draw up the business plan you will present to them.



### Part 2

#### INTRODUCTION

After a business plan has been compiled, certain actions need to be taken. In other words, businesses need to turn their business plan into an action plan. An action plan is similar to a business plan except that the action plan sets out the exact activities that must be performed in order to implement the plans set out in the business plan.

#### A good action plan includes the following:

- Activities which have to be completed, e.g. setting the actual time by which the business should be registered and be in operation.
- List of people who will complete the activities. Different tasks which should be completed should be delegated to the staff who will work for the business.
- The resources required. The action plan should include everything that will be needed by the business to operate, e.g. to get started, start-up capital will be

needed. This also includes the business premises and equipment that will be needed.

- Time guide, with deadlines for each activity. Without specific deadlines, the entrepreneur is not able to control the action process. So clear timelines should be included in the action plan.

## CONCLUSION

A business plan is useless if no action is taken towards implementing the idea, so a business plan has to be accompanied by an action plan. The action plan will clearly state what has to be done to implement the idea.

## Activity 2



Draw up a plan of action for the business plan you drew up in Activity 1.





# BUSINESS VENTURES

## Starting a business venture

### Learning Outcomes and Assessment Standards

#### Learning Outcome 2

#### Business Ventures

*The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.*

#### Assessment Standard

*Collaboratively or independently start a business venture based on an action plan.*



### Lesson

#### INTRODUCTION

In this lesson we look at some of the factors that need to be considered when starting your own business.

If you can plan and manage a project then you will be capable of starting a business.

#### Planning a project

Many entrepreneurs start a business by doing contract work for customers and therefore begin to specialise in organising specific events or projects.

A project has a specific time frame and should be completed by a specific date.

The following steps can be followed in planning a specific project:

1. Brainstorming – think of possible ideas, themes, etc, and list them.
2. Do market research – how many potential customers/consumers are there for your product?
3. Determine the financial viability of the product or service – is it cost-effective and will you be able to make a profit?
4. Evaluate the resources that you need and that are available.
5. Choose a final product or service that you are going to sell, according to information gathered in previous steps.

The following aspects are important in planning a project:

#### ➤ The purchasing plan

You need to specify all the resources and equipment you will need to purchase to be able to produce the product or deliver the service. Aspects such as suppliers, prices and quality of materials also need to be considered.

#### ➤ The financial plan

You need to plan all the capital/money you will need to start the business and to purchase all raw materials.

#### ➤ The production plan

You will need to draw up an operations or work plan to ensure that the products you want to sell are ready on time.

Consider the following aspects:



- Do you have enough good-quality resources?
- Do you have the right equipment and tools?
- How many products are you going to produce?

➤ **The marketing plan**

You need to do promotions (advertise) so that potential customers are informed about the new product. (Ensure the product is available at the right time, at the right place and at the right price.)

➤ **The human resources plan**

You need to determine who the people will be who will help you with the project/business. List the responsibilities and job description of each.

**Action – Doing business**

The project is now in full operation and you begin to experience the results of all the hard work you put into the planning stage.

**Evaluating the project/business**

You need to determine the success of your project or business. You need to determine the profit/loss you have made. It is also important to determine whether your customers are satisfied with the quality of your products and services.

**Activity 1**



Plan a fund-raising event for your school.

**Steps:**

- In groups, discuss a plan for a possible event by using the following information:
  1. Establish what type of event you could reasonably offer.
  2. From whom do you need permission and confirmation?
  3. When will the event be?
  4. How will you advertise the event?
- Discuss and agree on what you want to do and prepare an outline of your plan.
- Write down the final plan.





# BUSINESS VENTURES AND ROLES

## Different methods of acquiring a business

### Learning Outcomes and Assessment Standards

#### Learning Outcome 2: Business Ventures

*The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.*

#### Assessment Standard

*Investigate avenues of acquiring business (e.g. franchising, outsourcing, leasing) and discuss their advantages and disadvantages as well as their contractual implications.*

#### Learning Outcome 3: Business Roles

*The learner is able to demonstrate and apply contemporary knowledge and skills to fulfil a variety of business roles.*

#### Assessment Standard

*Research a variety of business careers and identify paths for personal and career growth and advancement.*



## Lesson

### INTRODUCTION

Entrepreneurs who want to venture into business are faced with a question of whether to start a new business from the very beginning or to use existing options. Starting a new business can be very risky, whereas using an established idea is less risky. In this section, we study the different options that an entrepreneur can use to start a business without having to start from the very beginning.

### Part 1

#### Franchising

This is a method of acquiring a business that gives entrepreneurs the opportunity to start their own business using a method that has been proven to work, and which has an existing consumer base.

Concepts related to franchising:

**Franchisor:** A franchisor is the business that owns a business concept, e.g. McDonald's (burgers and fries).

**Franchisee:** The entrepreneur who buys the business concept from the franchisor.

**Franchise:** The contractual agreement between the franchisor and the franchisee. The agreement stipulates that the franchisee may trade using the franchisor's name and brands.

#### The Franchise Association of South Africa (FASA)

The Franchise Association of South Africa (FASA) regulates the franchise industry in South Africa. It is highly recommended for all franchises to register with FASA.

- Its functions, *inter alia*, are to promote the concept of franchising in South Africa and to represent the franchising industry where necessary.



## Advantages of franchising

- Assistance, financial advice and training are part of the franchise agreement.
- There is an existing consumer base.
- The entrepreneur enjoys the advantage of having his/her own business.
- The name of the franchise is recognised, so marketing is not a problem. Help is provided for promotion.
- Because training is provided, an entrepreneur does not have to be an expert in the field.

## Disadvantages of franchising

- Start-up costs are high and a fee is demanded by the franchisor for benefits and for granting franchise rights.
- Entrepreneurs have to follow the rules and regulations of the franchisor, so they do not have complete control.
- A portion of the profits must be paid to the franchisor in the form of royalties.
- Actions by other franchisees may jeopardise the enterprise.

## CONCLUSION

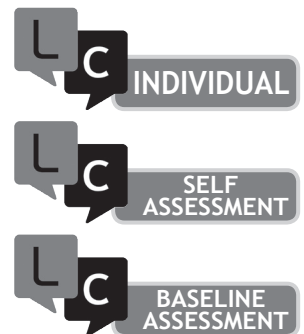
Franchising is a safe way of starting a business. It is most popular in the food industry. Anyone can buy a franchise and one does not have to be an expert in the field because training and support are provided. Although the start-up costs are high, being a proven concept in the market gives reassurance.

## Activity 1

1. Explain the following terms or concepts by matching the items in Column A to the appropriate item in Column B.

Column A		Column B	
1.1	Royalties	a.	The regulator of the franchise industry in South Africa
1.2	Franchise	b.	Income less expenses
1.3	Start-up costs	c.	A portion of profits paid to the franchisor by the franchisee
1.4	Franchisor	d.	A name or logo reserved for the exclusive use of the franchisor
1.5	FASA	e.	The business that owns the franchising concept
1.6	Profits	f.	The entrepreneur who buys the business concept from the franchisor
1.7	Franchisee	g.	The contractual agreement between the franchisor and the franchisee. The agreement stipulates that the franchisee may trade using the franchisor's name and brands
1.8	Trade mark	h.	Costs incurred when starting a business

2. With the use of magazines, newspapers, the internet and other sources, identify a franchise of your choice, then follow the instructions given to answer the questions that follow:
  - 2.1 Show a picture of the franchise's trademark.
  - 2.2 Show a picture of the franchise's trade name.



- 2.3 How did the franchise start in South Africa?
- 2.4 Where was the first one in South Africa?
- 2.5 Is the franchise registered with FASA?
- 2.6 How many outlets does the franchise have in South Africa?



## Part 2

### Outsourcing

Outsourcing is a strategy employed by business to reduce the size of a business's workplace. This is done so that the business may be able to focus its resources on its core functions.

Some activities in a business may be expensive to run and require expert skills, which the business might not necessarily have. Hence the business will employ an outside company to take over those activities. In this way, the business can focus on what it is best at.

#### Advantages of outsourcing

- There are no training costs for the business.
- A high level of skills is offered by the outsourced company.
- The business does not pay certain salaries, so money is saved.
- The business can concentrate on its core functions.

#### Disadvantages of outsourcing

- The business has limited control over the outsourced functions.
- The business has to pay for the services.
- The outsourced company may not have the same goals and values as the business.
- Employees of the outsourced company do not have to conform to the business culture of the company they are servicing.

### CONCLUSION

Businesses need a wide variety of skills to run smoothly, but their employees may not always be able to provide these. Sometimes certain services are only needed for a short period of time, so a way to acquire these is by outsourcing.



## Activity 2

State whether the following are TRUE or FALSE.

- A. Outsourcing has contractual implications.
- B. Outsourced companies usually offer experts in the field.
- C. The business can enjoy the service without having to pay.
- D. It is a disadvantage to outsource because the business has to pay the employees of the outsourced company.
- E. The outsourced company takes ownership of the outsourced function.



## Part 3



### INTRODUCTION

As a business idea, an entrepreneur can buy assets to lease out to other businesses or individuals who want the use of the asset for a limited period of time.

#### Concepts related to leasing

**Lessor:** A person/company that owns an asset and hires it out.

**Lessee:** The person/company that hires the asset.

**Leasing:** A contractual agreement between the lessor and the lessee that the lessee may use the lessor's assets for a stipulated period of time. The lessee has to pay for using the asset.

#### Advantages of leasing

- Companies that need to use the asset once do not have to buy it, but can lease it. Their capital expenditure is minimised.
- Money is saved on repairs, insurance and servicing of the asset, because these are expenses of the lessor.
- The lessor replaces the assets every two or three years, so that the very latest in machinery and technology is available to the lessee.

#### Disadvantages of leasing

- The cost of leasing can sometimes be higher than that of buying the asset.
- The items remain the property of the lessor, but money is paid out.
- Lease agreements cannot be cancelled.

### CONCLUSION

Although the lessee uses the asset, he or she will never have ownership of it. The lessee has to pay for using the asset, whereas the lessor will make money out of the asset for as long as the asset is usable.

### Activity 3



Tabulate the advantages and disadvantages of leasing.



Lesson 10

## BUSINESS VENTURES

### Business-related information

#### Learning Outcomes and Assessment Standards

**Learning Outcome 2: Business Ventures**

*The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.*

**Assessment Standard**

*Present a variety of business-related information clearly and accurately in verbal and non-verbal format (including graphs) and respond professionally to questions and feedback.*



### Lesson

#### INTRODUCTION

In this lesson we look at some of the methods the entrepreneur can apply in presenting business-related information to different stakeholders and how he/she handles questions and provides feedback to stakeholders. Business-related information refers to information concerning all aspects of a business that is needed to make important decisions in that business and its environment. This includes information such as sales figures, results of surveys, clients' information lists, etc.

**Obtaining information**

Obtaining information can be done in one of two ways:

Surveys: Phone surveys, questionnaires, mail surveys, etc.

- Using statistics: Information from previous years.

**Arranging information**

We distinguish here between DATA and INFORMATION.

- Data: Raw information that is not ready for use.
- Information: Processed data that is complete, accurate, relevant and reliable.

**Presentations**

Many activities go into the preparation of a presentation.

**1. Planning the presentation**

The presenter must decide on the following:

- What he or she is going to say
- What the content will be
- How he or she will say it

**2. Preparing the presentation**

- Step 1: Give an introduction
- Step 2: Present the information to the audience
- Step 3: Conclude the presentation and give a short summary of the content

### 3. Delivering the presentation

The presenter needs to keep the following in mind:

- Practise your presentation until you are able to deliver it with confidence.
- Make eye contact
- Make use of visual aids
- Make use of note cards
- Be aware of your body language
- Use a clear voice

#### Examples of presenting business-related information

There are a variety of methods that can be used. Here are some examples and what they can be used for.

- Line graph – The relationship between two currencies over a certain time period
- Histogram/bar graph – Comparing the total sales of different types of products
- Table – Results of a survey
- Pie chart – The percentage market share of different products

#### Responding to feedback and handling questions from the audience

The presenter needs to act professionally at all times. With a “difficult” audience, it can be a real challenge to be professional.

The presenter can use the following guidelines:

- Acknowledge and repeat the question.
- If you do not know the answer to the question, say so. Commit to giving the necessary feedback later.
- Answer questions as concisely as possible.
- Be calm and polite at all times.
- Do not allow someone else to take control or take over your presentation.
- Conclude in a positive manner.

#### Responding to criticism

The presenter can always be in control of how he or she responds to an audience’s criticism and feedback.

- Being proactive: Accepting responsibility for the things you say and do. (Thinking before you act.)
- Being reactive: Blaming others for making mistakes and therefore creating conflict between people.

The presenter can choose how he/she will respond to feedback and criticism but, of these two options, the “proactive” manner is the best option.

### CONCLUSION

Business information needs to be well planned, carefully prepared and delivered in a professional manner.





## Activity 1

Answer the following questions:

1. Explain in your own words what business-related information is.
2. How does the entrepreneur obtain business-related information?
3. What is the difference between data and information?
4. What are the three “sections” in drafting a presentation?
5. Why should one prepare for possible questions and answers after the presentation?
6. What is the best way of responding to criticism? Motivate your answer.



## Activity 2

The following fictional information shows the average Rand/Euro exchange rates over a four-year period. Present this in a line graph.

THE YEAR	AVERAGE VALUE OF THE RAND VERSUS THE EURO
2004	R 8,20
2005	R 8,50
2006	R 8,10
2007	R 9,10

Keep the following in mind:

- The horizontal axis – YEARS
- The vertical axis – RAND value



# BUSINESS VENTURES

Forms of ownership: sole trader, partnership and close corporation



## Learning Outcomes and Assessment Standards

### Learning Outcome 2: Business Ventures

*The learner is able to identify and research viable business opportunities and explore these and related issues through the creation of achievable business venture.*

### Assessment Standard

*Discuss the benefits and challenges of owning a company versus other forms of ownership (including taxation issues).*

## Lesson

### Part 1



## INTRODUCTION

This section discusses the various forms of ownership that are legally recognised in South Africa. These forms of ownership are part of the formal sector, and contribute to the economic growth of the country.

It is important for entrepreneurs to decide on the form of ownership for their businesses because it influences many factors regarding the business, e.g. the name, how much tax will be paid and how profits will be shared, etc. Any person who has a business idea which is viable can start their own business. If an entrepreneur decides to venture into business on his or her own then he/she is known as a sole trader.

A sole trader is an individual who owns an enterprise, known as a sole proprietorship.

A sole proprietorship is the simplest form of ownership. There are no complicated rules or regulations that govern the formation of this type of business.

- The owner of a sole proprietorship must obtain a trading license, if it is a trading business. This does not apply to a business which provides services. Sole traders can obtain applications forms for trading licenses from their local municipality or authority.
- The business must also register with SARS for VAT collection purposes.
- The business itself has to pay tax (income tax).

### Three characteristics of a sole trader

1. The owner provides the capital. This can be borrowed capital (from a bank, friends or family) or use his/her own capital (which could be savings).
2. The sole proprietorship has no legal personality, i.e. there is not distinction between the owner and the business itself. The implications of this are that, should the business be liquidated, the owner may lose his or her personal belongings.
3. Should the owner decide to close the business or, in the event of the owner's death, the business ceases to exist.



### Advantages of a sole trader

- It is easy to form.
- The owner has personal contact with customers and employees.
- The owner gains experience in all aspects of the business.
- The owner can easily change strategies and plans to suit his or her personal goals.
- All profits made belong to the owner.

### Disadvantages of a sole trader

- Capital is limited to what the owner can contribute.
- All debts incurred have to be paid by the owner.
- The liability of the owner is unlimited.
- The business lifespan is determined by that of the owner.

## CONCLUSION

Although the sole trader or sole proprietorship is an easy form of business ownership to set up, it also has several disadvantages. As a form of ownership, being a sole trader is most popular among hairdressers, tailors and spaza shops.

## Activity 1

- 1.1 Explain what is meant by unlimited liability.
- 1.2 Explain the tax implications of a sole trader.
- 1.3 How long is the lifespan of a sole proprietorship?



PAIRS



SELF ASSESSMENT



SUMMATIVE ASSESSMENT



DVD



## Part 2

### INTRODUCTION

At some point, most businesses need to expand. For expansion to take place, it means more resources need to be invested in the business. One person alone can find this difficult to do, so another option is to introduce more people into the ownership of the business.

If there is more than one owner, it means there will be:

- More capital
- More skills and management abilities
- Shared responsibilities

For these reasons, a **partnership** can be formed.

A partnership may be formed between a minimum of two people to a maximum of 20. They are contractually bound to one another to contribute money, labour and skills to the business, with the main objective of making a profit for their common benefit.

In order to form a partnership, partners sign a partnership agreement that must contain the following:

- Name of business
- Full names of all partners
- The purpose of the business
- The ratio in which profits and/or losses will be distributed

The partnership agreement can be verbal or in writing. To avoid disputes, however, it is advisable for partners to draw up a written agreement.

## Types of partnerships

### General partnership

All partners take an active part in the management of the business and are jointly liable for all the debts of the business.

### Special partnership

Anonymous partners (also known as sleeping partners) contribute capital to the business, but they do not take part in management decisions and they are only liable to the extent of the capital invested.

### Characteristics of a partnership

- Between two and 20 owners.
- Easy to form.
- A partnership, as with the sole proprietorship, has no legal personality.
- There is unlimited liability. Partners are liable for losses.
- There is lack of continuity. If one partner resigns or dies, a new partnership has to be formed.
- A partnership is not subject to income tax. Partners are taxed on their share of the net income in their personal capacity.

Advantages of a partnership	Disadvantages of a partnership
Formation is easy and inexpensive.	Where there is a change of partners, the partnership has to dissolve.
More than one person contributes to capital.	Only a maximum of 20 partners. This can limit expansion of the business.
Joint decision-making results in profitability.	Urgent decisions cannot be made in the absence of other partners.
Partners contribute their skills and expertise.	Partners may have different management views, which may lead to disputes.
Workloads are better spread, which increases efficiency and productivity.	If deadlines are not met at the same time by all partners, there will be a delay in production.

## CONCLUSION

A partnership is a form of ownership that can be considered by those sole traders who want to expand their business. As with the sole trader, partners share responsibility for losses.





## Activity 2

2.1 Define the following terms and concepts:

2.1.1 Severally liable

2.1.2 Partnership agreement

2.1.3 Jointly liable

2.1.4 Sleeping partner

2.1.5 Liquidation

2.2. Answer the following questions:

2.2.1 What advantages does a partnership enjoy that the sole proprietorship does not?

2.2.2 What must be included in the partnership agreement?

2.2.3 Do you think a partnership has a better chance of making more profit than a sole proprietorship? Explain.



## Part 3

### INTRODUCTION

#### The close corporation (CC)

The close corporation is a form of ownership for small businesses that do not want to operate as a formal company. It is easy to operate and less risky than the sole trader or the partnership. The owners of a close corporation are called members and they may actively take part in management of the business.

#### Characteristics of a close corporation

- The name of the close corporation is followed by the letters CC and the registration number. This must appear on all the CC's documents, including its stationery.
- A close corporation may have from one to a maximum of 10 members (owners).
- The CC has a legal personality.
- The CC has full business continuity. Should a member resign, retire or die, the business continues.
- Members have limited liability. Members' liability is limited to the amount they invested in the business.
- A company or another CC may not hold an interest in the CC, but a company can convert to a CC.
- The CC may not sell shares to the public.
- Members have an interest in the business expressed as a percentage. The profits are divided according to the interest members have in the business.
- The profits of the CC are taxed at a fixed rate.

#### Registering a close corporation

Close corporations are registered with CIPRO (the Companies and Intellectual Property Registration Office).





1. The CK1 and CK7 forms must be completed.
  - The CK1 (also known as the founding statement) serves as a charter of the corporation.
  - The CK7 reserves a name for the CC.

The CK1 must contain the following information:

- The full name of the CC
  - Goals of the CC
  - The period of its financial year
  - The postal and physical address of its registered office
  - The members' full names and identity numbers
  - Each member's interest (expressed as a percentage)
  - Particulars of the contribution made by each member
  - Name, address and consent of an accounting officer
  - Proof of payment of the prescribed fee
2. An original accounting officer letter and signature must be included.
  3. The CC must register with SARS (South African Revenue Services) to obtain an income tax number.
  4. The business logo must be registered with CIPRO.
  5. If the business provides a unique product, it should be registered as a patent with CIPRO.

#### **Advantages of a close corporation**

- There are fewer formalities in the formation of a CC than for a company.
- The members have limited liability. They are not responsible for the debts of the business.
- All members can participate in management activities.
- The CC has business continuity.

#### **Disadvantages of a close corporation**

- Capital is limited to only 10 members.
- Under certain conditions, members may lose their limited liability.
- All members must consent before a member can sell his/her interest.
- A CC may not be sold to a company, unless it converts to a company.
- Because members are limited to 10, this may hamper growth and expansion.

#### **CONCLUSION**

The close corporation has fewer legal requirements for formation and is relatively simple and inexpensive to set up. We discussed the reasons why the CC is a better form of ownership than a sole trader or a partnership for small enterprises.





## Activity 3

1. What is the purpose of the following documents?
  - > Founding statement
  - > An association agreement
2. Name the documents which must be completed by the members to register a CC.
3. Tabulate the differences between a sole proprietorship, partnership and close corporation under the following headings.
  - > Owners
  - > Liability of owners
  - > Taxation
  - > Continuity
  - > Number of shareholders
4. Which financial statements must a CC publish?



# BUSINESS VENTURES

## Companies

### Learning Outcomes and Assessment Standards

#### Learning Outcome 2: Business Ventures

*The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.*

#### Assessment Standard

*Discuss the benefits and challenges of establishing a company versus other forms of ownership (including taxation issues).*

Lesson

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## Lesson



### INTRODUCTION

In the previous lesson, we looked at various ways of establishing a new business. In this lesson, we look at the company as a form of ownership and how one goes about forming a company. We also investigate the two main types of companies.

Companies are formed in accordance with the Companies Amendment Act (Act 20 of 2004). This Act includes two main types of companies, namely companies with share capital and companies without share capital. We are going to focus on those companies with share capital.

#### The two types of companies with share capital

- Private companies: Medium-sized businesses
- Public companies: Large-scale operations that require large amounts of capital

#### The formation procedure

The formation procedure, rules and regulations for the proper operation of companies are complex. Many different documents must be completed before such companies can commence business. These are:

##### ➤ Memorandum of Association

This document includes the following information:

- The name clause – gives detailed requirements of the company's name
- The objects clause – stipulates the main line of business and the company's objectives
- Liability clause – states that the liability of shareholders is limited
- Share capital clause – indicates the total registered share capital
- Association clause – gives details about the financial institution involved in the share offering

##### ➤ Articles of Association

This document includes the following information:

- Meetings – details of meetings and certain meeting requirements
- Directors – the appointment of directors, their salaries and personal information



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- Shares – details about the different types of shares, values, transferability, etc.
- Dividends – their declaration, payment and other details
- Accounting procedures – information about what procedures will be used, the names of and information about accountants, auditors, etc.

➤ **Certificate of Incorporation**

After the PRIVATE company has submitted the previous two documents, and as soon as these are approved, they will receive this certificate and can start operating as a business.

➤ **The prospectus**

- The PUBLIC company has to publish and submit a prospectus. This acts as an invitation to the public to invest in the company and buy shares. This document includes the same information as mentioned in the Memorandum and Articles.

➤ **Certificate to commence business**

- As soon as the PUBLIC company has raised the necessary amount of capital, it will receive this document and can then commence business.

**The private company**

The private company has the following characteristics:

- It has a minimum of one and a maximum of 50 shareholders.
- It must have a minimum of one director.
- The name must end in (Pty) Ltd = (Proprietary) Limited.
- There is no personal contact between the shareholders.
- Certain restrictions are included in the Articles of Association.
- It is a legal entity.
- The shareholders have limited liability.
- The private company pays company tax at a fixed level.

**The public company**

The public company has the following characteristics:

- It has a minimum of seven shareholders and an unlimited maximum.
- It must have at least two directors.
- The name must end in Ltd = Limited.
- There is no personal contact between the shareholders.
- There are no specific restrictions stipulated in the Articles of Association.
- It is a legal entity.
- The shareholders have limited liability.
- The public company pays company tax at a fixed rate.

**Capital of companies**

Companies mainly obtain capital by issuing shares. The PUBLIC company sells shares to the public. We need to differentiate between “authorised” capital and “issued” capital.



- Authorised capital is the total amount that is registered and that the company is allowed to sell.
- Issued capital is the total amount of shares that the company actually sold.

### The JSE

The Johannesburg Securities Exchange is situated in Sandton, Gauteng. It plays a crucial role in the commercial and economic development of Southern Africa.

It provides a market where new businesses (public companies) can connect with potential investors (shareholders).

### CONCLUSION

Companies are a form of ownership normally considered when another form of ownership (e.g. a partnership) needs to expand and raise more capital.

### Activity 1

In table format, distinguish between a PRIVATE and a PUBLIC company in terms of the following:

- The name
- Number of shareholders
- Restrictions
- Tax



### Activity 2

Study the fictional information in the table and then answer the questions that follow.

EXAMPLE NO.	AMOUNT OF SHARES THAT ARE REGISTERED	AMOUNT OF SHARES SOLD TO THE PUBLIC
1	20 000	10 000
2	300 000	200 000

- 1.1 Calculate the total amount of authorised share capital for example 1, if the price of one share is R2,00.
- 1.2 Calculate the total amount of issued capital for example 1, if the price of the shares changes to R2,50.
- 1.3 What will the total amount of issued capital be for example 2, if the price per share is R4,00?



Lesson 13

## BUSINESS ROLES

Creative solutions to business problems and improving business practices

### Learning Outcomes and Assessment Standards

**Learning Outcome 3: Business Roles**

*The learner is able to demonstrate and apply contemporary knowledge and skills to fulfil a variety of business roles.*

**Assessment Standard**

*Apply creative thinking to address business problems and to improve business practice.*



## Lesson

### Part 1

#### INTRODUCTION

Often entrepreneurs enter into business with a lot of excitement and enthusiasm. The issue of management is often overlooked or thought to be very easy. In fact, managing a business is not easy. There are skills which have to be used to make managing a business an easier task.

In this section we will study how managers can use creative and innovative thinking to solve problems.

#### Solving a problem

The following process can be used when solving a problem.

**1. Identify the problem**

It is important that the problem is identified before it can be solved. There is a problem if goals set are not achieved. So management has to sit down and find out what is hindering the achievement of the goals.

**2. Analyse the problem to find the cause**

Understanding the cause of the problem makes it easier to find suitable solutions.

**3. Collect relevant information relating to the problem**

- Find out which department is affected by the problem.
- How much effect will the problem have on business growth?
- How much is the problem costing the business?

**4. Brainstorm possible solutions to the problems**

Management must consider all possible solutions. If necessary, experts in the field could be employed.

**5. Evaluate the options and choose the most suitable for solving the problem**

Consider the solutions chosen, taking the following into consideration:

The cost of implementing the solution.

- Advantages and disadvantages of the solutions.



➤ Will the solution solve the problem?

## 6. Select and implement the solution

## 7. Follow up and evaluate the solution

Find out whether the solution has solved the problem or not. If it has not, find an alternative solution.

## CONCLUSION

Creative problem-solving helps us look at problems in a practical and creative way. It also helps to generate good ideas and solutions.

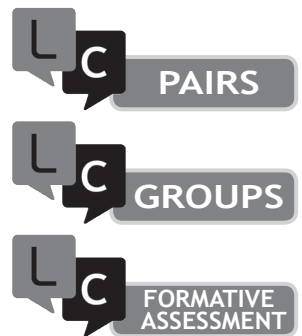
## Activity 1



### Case study

Mr B Mafuya is the owner of a busy coffee shop in Braamfontein. The coffee shop caters to most of the office workers in Braamfontein. Mr Mafuya employs three kitchen staff, four waiters and one deliveryman. All these employees work on a full-time basis. The coffee shop has been running smoothly and making a good profit until recently. According to the records, the sales figures have not dropped, but after calculating profit/loss, it seems the business is making a loss.

- 1.1 What do you think the problem is?
- 1.2 How can Mr Mafuya solve this problem?



## Part 2

## INTRODUCTION

This section of the lesson focusses mainly on creative thinking. Some techniques of problem solving will be discussed. You will realise that creative thinking and innovation go together.

### Creativity and problem-solving techniques

There are many ways business managers can solve a problem. For the purpose of our study, we will only focus on three:

- The nominal group technique
- The Delphi technique
- The force-field analysis technique

### The nominal group technique

This technique requires the members of a group to brainstorm problems that need solving. All members of the group must be together when this is done.

- All members must come up with their own solutions.
- Solutions must be presented to the rest of the group.
- The group must then evaluate each option, taking their pros and cons into consideration.
- Group members vote for the solution they think is best.
- 



### The Delphi technique

This technique is similar to the nominal group technique except that group members do not have to work together.

### The force-field analysis technique

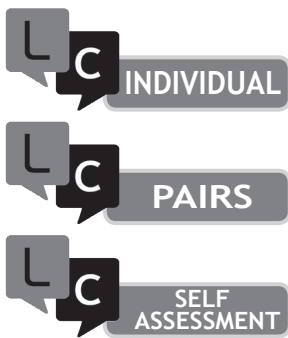
This technique evaluates the various forces for and against a proposed solution, and can be used to determine whether a proposed solution will get the support it needs. Restraining forces against the solution are identified and suggestions on how to reduce these negative forces can be discussed.

When using the force-field technique, the following has to be taken into consideration:

- > Available resources
- > Organisational structure
- > Social or organisational trends
- > Costs involved

### CONCLUSION

It is important to understand that each technique might work for one problem but not for another. Sometimes more than one technique can be applied to one problem. In some cases, managers and entrepreneurs can use their creative abilities. Creative solutions are those that are unusual and original.



### Activity 2

Complete the following table by explaining how you would solve the problem using one of the problem-solving techniques. You will be asked to present one of your answers to the class.

Problem	Problem-solving technique used
1. The local library cannot cater for the needs of blind people in the community.	
2. A factory producing cat food has discovered that one of their products does not have enough nutritional value.	
3. A restaurant manager has noticed that customers do not finish their food portions. This is a problem because the restaurant ends up with lots of leftover food which they must throw away.	



### Activity 3

Read the case study below and answer the question that follows:

#### BETTING ON THE WRONG BACKERS

My name is Cindy. I held an established position as a journalist for a magazine at a prominent publishing company.

I was offered shareholding and directorship by a publishing company. The agreement was that I supply the intellectual capital, which they did not have, and the directors would supply the finances.



The first month brought in a revenue of R300 000. A large portion went for printing costs and the rest to salaries and operational costs.

The second month ran smoothly and the profits from the magazine kept the business afloat. There was no need for a further capital investment right then. It was at this point that problems began surfacing. The chief executive, who ran the operation, started doing some unusual things.

Over a period of two months he hired nine new staff members into positions that were not necessary to the business. He managed the entire financial aspect of the business and he assured me that we had everything under control.

After he had hired all these new staff members for positions that did not exist, he announced that we needed larger offices. The original offices were rented at R4 000 a month and the new offices would cost R44 000 a month. At that stage there had been no capital investment from the directors yet and we had been printing the magazine with funds generated out of sales.

The next month he paid all the staff and the rent and said he could not pay me then, because of cash flow constraints and I would have to wait for two weeks.

I requested him to ask the other directors to make a capital investment in order to pay my salary. He was furious and explained that we needed to generate money from the business for that type of expense. They excluded me as minority shareholder in the meetings.

One morning when I walked into his office, he was ordering coffee cups for the new executive offices while I was still waiting for my salary to be paid.

Eventually I demanded that I be paid, or I would resign.

[Adapted from: Succeed, October 2006]

After reading the case study above, apply your creative thinking skills, supported by FIVE steps in problem-solving to enable you to rescue the publishing company and to prevent Cindy from leaving the company.

Lesson 14

## BUSINESS ROLES

### Business ethics and professionalism

#### Learning Outcomes and Assessment Standards

**Learning Outcome 3: Business Roles**

*The learner is able to demonstrate and apply contemporary knowledge and skills to fulfil a variety of business roles.*

**Assessment Standard**

*Discuss the theories and principles of professionalism and ethics, and explore how they relate to the business environment.*



### Lesson

#### Part 1

#### INTRODUCTION

Managing ethics, and encouraging professional behaviour in the workplace, is a very important factor that can influence the success of a business.

In this lesson we are going to investigate the following topics:

- What are ethics?
- What are morals?
- Ethics in business
- Different approaches to ethical decision-making
- How to behave professionally in the workplace

**What are ethics?**

Ethics are codes of behaviour that govern how any society or group expects its members to behave. These codes can vary greatly between different societies and groups, and are not always written down or codified into law. Ethics can also be the unspoken rules that individuals and communities take for granted as constituting “proper” behaviour. But they can also be written codes: various professions, such as medicine and the law, each have their own formalised codes of professional ethics.

**What are morals?**

Morals are guiding principles that help individuals make choices between right or wrong actions and beliefs. Individuals develop their own sense of morality from their parents, schools, places of worship, workplaces and the broader society around them.

**What are business ethics?**

It is standards of behaviour that guide managers in their work and the actions they take.



### **Managers must always ask themselves the following questions:**

- Will my decisions clash with the laws of the country?
- Will my decisions make other people suffer?
- How will it make me feel?

### **Important areas of business ethics:**

- Actions towards employees – “Do I pay them a fair wage?”
- Employees’ actions towards the business – “Am I always honest in my work?”
- Business towards society – “Do I treat society well?”

### **A code of ethics**

A business develops a list of guidelines that regulate the ethical behaviour of all its employees and owners. This defines the values by which the business will function.

### **Ethical decision-making**

The following process can be used in making ethical decisions:

1. Generate and evaluate all points of view – people debate the decision and everyone needs to have the opportunity to give their opinion.
2. Identify the implications – all possible consequences.
3. Find the best possible solution with the fewest negative consequences.

### **Different approaches to ethical decision making**

- The utilitarian approach – All people benefit from a decision.
- Moral rights approach – Things are either right or wrong (no “grey” areas).
- The universalism approach – Is the action applicable everywhere?
- The cost-benefit approach – Weighing up all the costs against one another.

### **Professionalism in business**

This involves the following:

- Obeying laws that relate to business practice – legislation set by the country’s government.
- Obeying internal company laws – rules set by management.
- Acquiring specific skills and knowledge about how to treat people in an acceptable way.
- Self-presentation – physically (dress code) and verbally (correct language).
- Acknowledging cultural diversity – show respect towards all people.

## **CONCLUSION**

Arguments in favour of using good ethical practice are countless. Some are:

- It protects the reputation of the business
- It promotes investor confidence
- It attracts customers and keeps them loyal

By studying these arguments, one realises that a business can only benefit from applying good ethical practice.





## Activity 1

Read the case study below and answer the questions that follow.

You are the manager of the IT department of a large company. It has been brought to your attention that one of your IT specialists is misusing the company's network to run his own business. You decide to monitor the employee's work (correspondence and website use) without his knowledge or consent.

### Questions:

1. Do you think that the employee's use of the company's network for personal use is wrong? Motivate your answer.
2. Is this an example of an ethical dilemma in the business environment? Why?
3. Do you think your decision as the IT manager to monitor the employee's work without his consent is ethically correct? Motivate.
4. What other solutions to this dilemma can you suggest?



# BUSINESS ROLES

## Managing change, stress and crisis in business

### Learning Outcomes and Assessment Standards

#### Learning Outcome 3: Business Roles

*The learner is able to demonstrate and apply contemporary knowledge and skills to fulfil a variety of business roles.*

#### Assessment Standard

*Explain and apply concepts relating to stress, crisis and change management.*



## Lesson

### Part 1



## INTRODUCTION

Changes in the market and macro environments, over which a business has little or no control, results in decisions that management is forced to make in order to meet new environmental demands. This, in turn, necessitates changes in the internal environment of a business. This lesson studies the effects of change on businesses and ways in which managers deal with these effects.

There are a number of ways in which change can be applied in a business. We will discuss the most common ones.

### Applying change

#### 1. Restructuring

Restructuring is when a business changes its structure. One way of restructuring is by changing the job levels and/or descriptions of a business, e.g. the secretary of the company may be promoted to administrative officer and then be in charge of all administration.

#### 2. Mergers

A merger happens when two or more companies combine. This often happens when these companies want to eliminate competition or when they want to combine their resources so that they can be more effective.

#### 3. Retrenchment

Retrenchment happens when a company has to ask some of its staff members to leave, but compensates them financially. Workers are not retrenched because of their own actions but because the company cannot afford to keep them anymore.

#### 4. Affirmative action

Affirmative action is a corrective measure to ensure equal opportunity and freedom for all. People who were previously disadvantaged (e.g. women) are given first preference for some job positions.

### Types of change management

#### 1. Planned change

This is a proactive type of change, when management wants to improve the activities within the business. Change is thought through; both employees and management are ready when change happens.



## 2. Structural change

The activities in the business are divided into various tasks and are shared among the employees.

## 3. Technological change

New equipment, tools or methods of operation are introduced. The business may have to appoint new workers to operate these or train existing employees to do so.

## 4. Physical change

A company moves to another location. Another way is to open new branches elsewhere. An existing building can be divided into different departments, e.g. the finance department occupies the first floor, the marketing the second, etc.

## CONCLUSION

Change, although unpleasant, is a necessary move for business. Change is applied to improve the current position of the business. Managers need to communicate change clearly to employees to avoid creating uncertainty among them.



## Part 2

### INTRODUCTION

Change, if not communicated clearly, causes stress and crisis in the workplace. In this section we will explain what stress and crisis are and the ways in which they can be dealt with.

#### Stress

Stress is the body's response to any demand or pressure placed upon it. Anything that causes a change in one's life causes stress.

Stress is often regarded as a bad thing that is harmful to the human body and mind. It is important to understand that stress can be both **positive** and **negative**.

#### ➤ Positive stress

It is healthy and necessary to move through life with passion and purpose. This kind of stress motivates you to perform well in anything you do.

#### ➤ Negative stress

It is the harmful stress that results from not being able to cope with pressure. It is important that stress is controlled so that it does not get out of hand.

Here are some of the things that can be done to cope with negative stress.

#### Coping with stress

#### ➤ Maintain a balanced lifestyle

Create a balance between work and family and social life. Also get regular exercise and eat a healthy diet.

#### ➤ Set goals

Every person wants to achieve something in their lives. Setting goals for yourself makes it easier for you to identify what must be done to achieve your goals. If one day you want to be, for example, a business manager, you must find out what education and training you need to equip yourself for that position. By doing this, you will avoid the frustration of applying for a position, only to find that you don't have the appropriate skills or experience.



➤ **Avoid depressing situations**

If you know that doing something causes you frustration, then avoid doing it. It is also important to avoid negative people, who will only bring you down.

➤ **Give yourself a break**

Take some time off. Dedicate a day to yourself during which you will do absolutely nothing that you don't enjoy doing. Your body needs to rest and recharge every now and again.

## **Conflict**

Conflict occurs when two or more people oppose one another because they have different opinions. Conflict is usually accompanied by feelings of anger, frustration, anxiety, etc.

A minimal level of conflict should be maintained to keep the group self-critical and creative.

### **Conflict management**

➤ **Avoiding**

Conflict can be resolved by avoiding it in the first place, by just letting things pass by as though they never happened.

➤ **Collaborating**

Conflict can be resolved by allowing the parties involved to work together so that they can find a solution that suits everyone.

➤ **Obliging**

Conflict can be resolved by placing a higher value on others than on yourself.

➤ **Dominating**

This is when management does not consider the ideas of others. Management decisions are imposed on everyone.

➤ **Compromising**

When all parties are right, this strategy can be used. All parties involved get to talk about issues, but only one idea will be implemented in the end.

## **Crisis**

A crisis is a time of great difficulty and danger where outcomes are uncertain.

### **Managing crises**

➤ Avoid tight deadlines.

➤ Have a plan for dealing with problems such as the serious illness of key employees.

## **CONCLUSION**

In this section we explained what stress, conflict and crisis are. We also discussed coping mechanisms for all three conditions.





## Activity 1

1. Name the various ways in which change can be applied.
2. Explain the difference between positive and negative stress and give two examples for each.



## Activity 2

Give one term for the following:

1. A corrective measure to ensure equal opportunity and freedom for all.
2. Happens when a company has to let some of its staff members leave, but compensates them financially.
3. A time of great difficulty and danger where the outcome is certain.
4. The body's response to any demand or pressure placed upon it.



## Activity 3

Explain the difference between positive and negative stress and give two examples for each.





# BUSINESS ROLES

## Career pathing

### Learning Outcomes and Assessment Standards

#### Learning Outcome 3: Business Roles

*The learner is able to demonstrate and apply contemporary knowledge and skills to fulfil a variety of business roles.*

#### Assessment Standard

*Research a variety of business careers and identify paths for personal and career growth and advancement.*

Lesson

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## Lesson

### Part 1



## INTRODUCTION

Working and finding a suitable career today is a challenge for most people. People are often not happy in their jobs and only do them to earn an income. This is definitely not the ideal. One needs to build a career doing what one enjoys most.

In this lesson we will investigate three main areas:

- Working in the modern world
- Career choices
- Career planning and development

### Working today

- It is a difficult and ongoing process
  - In the modern economy, it is more difficult to choose and keep the right career.
  - Choosing a career is also not a single event but rather an ongoing process of planning and development.
- Decisions begin at school
  - This process already starts at school and normally continues throughout your life.

### Career choices

Making career choices in the field of Business Studies involve three options:

- Further study
  - Study further (tertiary education) in the broad field including business, commerce, management and services studies.
- Enter the business world
  - Work in the business world straight after school. Some people undergo training in a specific job while they are working fulltime.
- Self-employment
  - Some people become entrepreneurs and start their own business.



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## How does one choose?

The factors influencing one's choices for a suitable career are the following:

### ➤ Personality

- Your personality determines your behaviour and the choices you make in life. Your personality is closely related to your temperament and nature. This has a direct influence on your career choice.

### ➤ Talents and skills

- Talents are the natural abilities with which you are born. Some people are born with the ability to work well with their hands. Your skills are the qualities you develop as you grow older. (For example, to be able to manage people.) When making career choices, it is very important that you consider the talents you have and also determine what kind of skills you need to acquire to be able to do a specific job.

### ➤ Values and preferences

- Your personal values reflect those things that are very important to you in life. Some people value wealth and status and others value freedom and good health. This will influence your choice of a specific career.

### ➤ Research

- People often change their career choices after they have done research on the type of career that suits them best. Talking to people and reading about different careers will also influence your choices and perhaps influence you to change your original choice.

## Career planning

Planning one's career involves a process. This process might differ from one person to another, but at some stage in your life, you will have gone through all the stages.

- Choosing a potential occupation
- Deciding on specific education and training that suits the occupation
- Applying for and getting a job
- Being promoted in your job (career growth)
- Getting additional training to reach higher-level jobs
- Making a job/career change
- Retirement

## Career development

There are certain strategies that you can follow to advance (develop) your career:

- Read: Do research to stay in touch with the modern workplace and new developments in your career.
- Explore: You need to explore all possible options when making career decisions, because there are often more than one option.
- Gain experience: Work shadowing and gaining the necessary experience in a particular field or occupation will assist you in making the right choice.



- Further development: Learning new skills and developing your abilities is an ongoing process. To stay marketable, you need to focus on developing yourself in a specific career.
- Be flexible: The modern world is dynamic and changes all the time. The success of your career will be determined by whether you are willing to change with the times and being flexible in what you have to offer.

## CONCLUSION

Making career choices and choosing a potential occupation is not an easy task. You need to keep in mind that there are no “better” jobs that make you a “better” person. One needs to do what one enjoys most in life and be a happy and fulfilled person.

### Activity 1

Indicate whether the following statements are TRUE or FALSE. If FALSE, you need to change the statement to make it TRUE.

- 1.1 Choosing a career is simple and easy.
- 1.2 A career counsellor can tell you what occupation to pick.
- 1.3 Not all people can become doctors.
- 1.4 You cannot learn how to work with people.
- 1.5 One is not able to change career after a while.

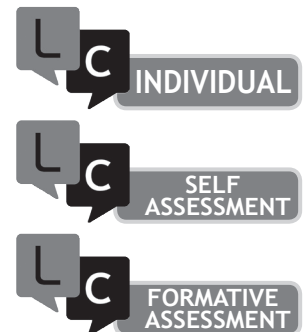


### Activity 2

Choose a career that is related to the field of Business Studies. Do research and find out the following about the career:

- What the work entails
- Which skills and training are needed
- The personal characteristics that are required to make a success of this career

Present your findings in the form of a mind map.



# Lesson 17

## BUSINESS ROLES

### Team dynamics

#### Learning Outcomes and Assessment Standards

##### Learning Outcome 3: Business Roles

*The learner is able to demonstrate and apply contemporary knowledge and skills to fulfil a variety of business roles.*

##### Assessment Standard 6:

*Describe team dynamics theories and use them to analyse specific business-based case studies.*



### Lesson

#### INTRODUCTION

Over time businesses have come to realise that a group of people working together are often more productive than one person working alone. It is also true that people working together can step on each other's toes a little. In this section we will discuss how teams can be managed and how to make it easier to work as a team.

**A team** is a group of people who work together to achieve common goals and who take responsibility for the performance of the group. Team members are not only responsible for the achievement of the team; they are also accountable for the actions of other team members.

**Team dynamics** describes the way a team should be organised and managed to achieve the best results from working together.

A team goes through the following stages before it can be fully developed:

##### > **Forming**

At this stage group members discuss the objectives of the group and how they will go about achieving these objectives. The various activities which need to be performed by the team are divided into small tasks for which each member will have responsibility. Members also have the opportunity to get to know each other.

##### > **Storming**

By now members know each other well. Members start to see each other's faults and this results in conflict and tension.

##### > **Norming**

At this stage teams work out a way in which they can deal with the conflict. They might even have to revisit the objective for working as a team.

##### > **Performing**

Teams are now comfortable working with each other. A level of trust has developed among the members. They adhere to the rules set for the team. As a result, they complete the set tasks successfully.



#### Team dynamics theories

##### 1. Field theory

- People depend on each other at work.
- The team and not the individual is important.

## 2. Exchange theory

- Individual-to-individual relations are important.
- The team is less important than the individual.

### Conflict in a team

People working in a group have different personalities. Sometimes team members may be from different cultural groups, have different beliefs, attitudes and values. Because of these reasons, at some point team members may be in conflict with one another. Let us look at the different conflicts that happen within teams.

- **Intrapersonal conflict**

A group member is in conflict with him or herself. This can happen if a person is not satisfied with their performance. This can cause conflict because the member can start behaving negatively towards other team members thus stirring up conflict.

- **Interpersonal conflict**

This is when team members are in conflict with each other.

- **Intergroup conflict**

This conflict happens when groups within a team are in conflict with each other, e.g. the marketing department is a team. The sales team comes in conflict with the market research team.

### Team consensus

If a team does not agree on an issue, certain mechanisms have to be employed.

- **Autocratic**

One person, the team leader, makes the overall decision. This is often done when there is no time to review the other members' inputs.

- **Consultative**

Other people's opinions are considered and then a decision will be made by the team leader based on those opinions.

- **Demonstrative**

Various options are considered, but the final decision will be made based on the team members' vote, in this case, the majority rules.

- **Consensus**

Everyone's opinion is welcome. The team members discuss the various options and come up with a single solution.

### CONCLUSION

Working as a team is not always easy. People are different in their ideas, strategies, etc. Team members have to draw from each others' strengths to make teamwork a success.



## Activity 1

1. You have joined the new netball/basketball team at your new school. There are another two new members in this team.
  - 1.1 Name the stages of team development.
  - 1.2 Do you think there will be conflict in the team? Explain your answer.
  - 1.3 What causes conflict in a team?
2. Some of the team members disagree on the strategies the coach uses for the “game plan”. The team has discussed this and some changes have been made. Despite these changes, some members are still unhappy. Explain how the team can reach consensus.



# BUSINESS ROLES

## Organisational citizenship and social responsibility

### Learning Outcomes and Assessment Standards

#### Learning Outcome 3: Business Roles

*The learner is able to demonstrate and apply contemporary knowledge and skills to fulfil a variety of business roles.*

#### Assessment Standard

*Analyse the citizenship roles and responsibilities that business practitioners need to perform within a business environment.*

Lesson

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### Lesson



### INTRODUCTION

All businesses have a social responsibility towards the community and stakeholders involved in the business. They also need to play a good, sustained role of citizenship in the broader business environment.

In this lesson we will investigate the following areas:

- Social responsibility
- Corporate/organisational citizenship

### Responsibilities

A business has the following responsibilities:

- Towards achieving its primary objective: Generating a profit at the end of each month. This is a responsibility a business has towards its owners and potential investors.
- Towards its employees: Paying workers and management fair salaries and providing them with the necessary support.
- Towards customers: Providing good-quality products at reasonable prices.
- Towards the community: Supporting the community and the well-being of the citizens of a country. This can be done in different areas, e.g. the environment, health issues, education and training.

### Corporate citizenship

These are all those activities undertaken by a business to make a difference in its immediate environment, the workplace, the broader community and the marketplace.

Some examples are:

- **The environment**  
Businesses need to be aware of issues such as recycling, waste dumping and pollution.
- **The workplace**  
Businesses need to create a pleasant, healthy, working environment for all their workers. That includes having good, healthy relationships with all employees.



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- **The community**  
Businesses need to implement support programmes and help with the improve the lives of people in their communities.
- **The marketplace**  
Businesses need to participate in sound, healthy competition, always act professionally and avoid unethical behavior.

### **Principles of corporate citizenship**

Factors influencing good business citizenship include:

- **Healthy relationships**

Good relationships with all stakeholders are very important for the long-term success of a business.

- **Integrity**

A business needs to operate according to a clear ethical code and always act in a professional and honest way.

- **Careful consideration**

Business owners need to take into account the potential impacts of the decisions they make. It is essential that they try to avoid negative impacts.

- **Opportunities for employees**

Employees also need to be aware of the impact of their work within the business.

### **A workable programme**

A workable programme that is effective and can be used to manage corporate citizenship is very important. Such a programme must include:

- A code of ethics – standards and values set by the owners
- Respect – people must accept other people’s differences
- Human rights – acknowledge and protect the rights of all people
- Effective procedures – for problem-solving and making decisions

### **Arguments in favour of corporate citizenship**

There are both economic arguments and moral arguments for why a business needs to get involved with corporate citizenship.

- **The economic argument**

It increases productivity of workers and in the long-term also profits. If workers are happy with their working conditions, they work harder, and so help to create more profit for the business because of an increase in production activities.

- **The moral argument**

It is good business practice to respect the environment and support the community. If a business supports its community, then the community will also be loyal to that business.





## How can you make a difference?

As a Business Studies learner, you can also make a difference in your community either by donating money or food to those in need, or by volunteering your time and skills by helping at a community centre or orphanage.

## CONCLUSION

Businesses have a responsibility towards the citizens of the country and the resources within the country. An effective, workable programme is necessary to accomplish this. All businesses should have such a programme and strategy in place.

## Activity 1

Answer the following questions:

- 1.1 What is the meaning of the word “citizenship”?
- 1.2 Use an example to explain the concept of “social responsibility”.
- 1.3 What is “business ethics”?



## Activity 2

Study the following corporate citizenship examples and classify them in table format by using the grid provided.

- Educational development of staff
- Funding a school’s sport day
- Implementing new and more effective waste control policies
- Adopting a new code of ethics regarding sound competition
- Sponsoring a cultural event in the community
- Creating new jobs
- Implementing new safety regulations in the workplace



Initiatives which impact on the workplace	Initiatives which impact on the environment	Initiatives which impact on the community	Initiatives which impact on the marketplace



Lesson 19

# BUSINESS ENVIRONMENT

## General Management

### Learning Outcomes and Assessment Standards

**Learning Outcome 1: Business Environment**

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenged environments on business practice in all sectors.*

**Assessment Standard**

*Compare and describe the extent to which a business can control and influence the micro (internal), market and macro business environments.*



### Lesson

#### Part 1

### INTRODUCTION

In the previous lessons we discussed the different business environments. One of these is the internal environment which consists of different functional areas. All these functional areas represent the different activities which take place in a business. General management is the functional area which co-ordinates the different functional areas.

There are different types of organisations in our communities, e.g. church, sports clubs, welfare institutions, businesses, etc. All these organisations have a purpose: they want to achieve something. So there will always be an individual, or a group of people, who has been appointed to ensure that these goals are achieved.

Business management is divided according to the different functional areas.

**Purchasing**

This is the function within a business responsible for the acquisition of the raw materials and inputs that are needed for production. The purchasing manager is responsible for managing this area of business.

**Production/operations**

The production manager has to see to it that the raw materials are converted into products that are useful to the consumer.

**Administration**

All businesses have information flowing in and out. Paperwork is an essential part of business; it helps the business to run smoothly by providing accurate information to managers when they need it. The administration manager has to ensure that business information is stored, processed and can be easily retrieved.

**Human resources**

People are needed to work in the business. Human resources managers have to ensure that the correct people with the required skills are appointed. They also have to ensure that existing staff members are managed, and that their grievances are dealt with.



## Public relations

The public relations manager builds and manages relationships with all of the business's stakeholders, i.e. shareholders, employees, customers and the general public.

## Marketing

Marketing managers are concerned with meeting the needs of the consumers. They ensure that the business knows what its customers want and that customers know what the business has to offer.

## Finance

Financial managers ensure that a business has all the money it needs. Among other financial responsibilities they ensure that capital is available, and that there is enough cash flow to meet day-to-day expenses.

## CONCLUSION

Not all businesses will share all the same functional areas. It depends on the nature of the business, e.g. a service-rendering business will not have the production function. In small businesses, some functional areas may be integrated into one, e.g. the administration function with the financial function. The financial function involves recording a lot of information in the form of financial statements, etc.

## Activity 1

Read the following statement and name the manager who is responsible for each task.

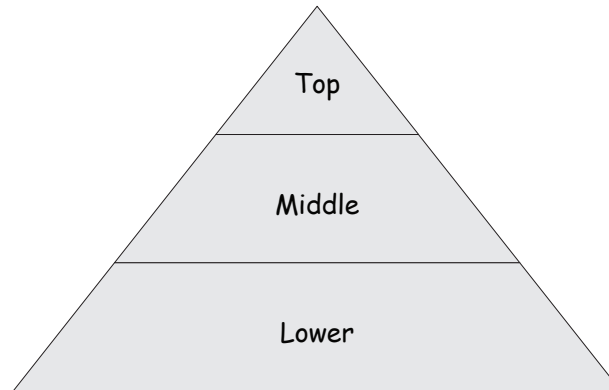
- 1.1 Due to demand for the products the business sells, some changes have to be made in the business and new equipment has to be bought. This was not foreseen, so there is not enough money available to buy new equipment.
- 1.2 The business's human resources manager was involved in a rape scandal, which has tarnished the image of the business.
- 1.3 It was discovered that, because of huge demand, stock was running out.
- 1.4 A memorandum has to be sent out to the staff members notifying them of a meeting that will be held next week.
- 1.5 It was discovered that the innovative advertising campaign resulted in the business's success.
- 1.6 A decision was made that the business had to broaden its product range so that it could meet the needs of larger consumers numbers.
- 1.7 The foreman in the production plant is doing so well in his job that management decided to send him on a management course, after which he will take the position of production manager.
- 1.8 More products have to be produced to meet consumer needs.



## Part 2

### INTRODUCTION

In a small business, there is usually one level of management, but in a bigger business, where there are many managers, management is categorised as follows:



#### Levels of management

- Top management includes the chief executive officer and managing directors. The top managers make the long-term decisions about the business. They determine the purpose, mission and the overall goals of the business. The decisions they make are long-term.
- Middle management includes the various functional area managers: i.e. financial manager, operations manager, etc. They implement the decisions made by the top managers. Their decisions are medium-term.
- Lower management includes the foremen or supervisors who are responsible for the day-to-day activities of the business. They have to report to the middle managers. They make short-term decisions.

#### The role of general management

##### ➤ Vision and strategy

General managers determine the business vision and mission. They have to ensure that the activities taking place in the business are directed towards achieving these goals.

##### ➤ Inspiration

General managers have to inspire the people working in the business and to communicate the mission of the business to them. Workers can be inspired by ensuring that they feel useful and that their contribution is appreciated.

##### ➤ Co-ordination

Business activities are divided into different tasks. So the general manager must ensure that all the managers co-operate and work with each other effectively.

#### The tasks of management

##### 1. Planning

Management decides **what** should be done. They decide which tasks need to be performed in order to achieve the business's objectives. Planning allows managers to predict the future and avoid potential failures. It is a roadmap



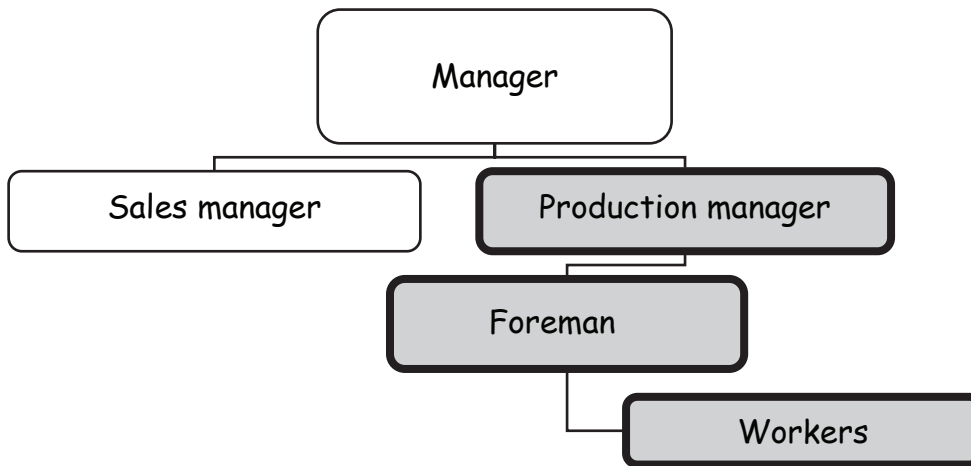
for managers. Planning may be tedious, but in the long-term it saves time, money and effort.

Managers at all levels are responsible for the planning in their divisions.

## 2. Organising

This means that management has to decide **how** the plan will be implemented. The available resources will have to be divided into different areas. The following is an example of how human resources could be divided.

### Organisational Structure



## 3. Activating

Management decides **when** it should be done.

## 4. Control

Management ascertains **whether** the tasks have been carried out.

## CONCLUSION

### Importance of control

Management's most vital task is control. It has to be implemented at every level of management. Planning is a form of control, because organisation allows managers to control the activities of a business with ease, by dividing them into separate tasks.





## Activity 2

- 2.1 Give examples of managers at the different management levels.
- 2.2 What is meant by long-term, medium-term and short-term decisions?
- 2.3 List the three roles of management.
- 2.4 Name the task of management which answers the following questions:
  - 2.4.1 **What** should be done?
  - 2.4.2 **How** should it be done?
  - 2.4.3 **When** should it be done?
  - 2.4.4 **Whether** or not it has been done?



# BUSINESS ENVIRONMENT

## The administration function

### Learning Outcomes and Assessment Standards

#### Learning Outcome 1: Business Environments

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenging environments on business practice in all sectors.*

#### Assessment Standard

*Identify and discuss how a business constantly needs to adapt to the challenges of the micro (internal) business environment.*



## Lesson

### Part 1



## INTRODUCTION

In this lesson we will investigate the administration department in a business by focussing on the following:

- What is administration?
- The role of the department
- Requirements of an effective administration plan
- The difference between data and information
- Information technology and communication
- The use of computers in the business environment

The administration department plays a very important role in the successful operation of a business.

### What is administration?

Administration is the management of a business organisation with specific emphasis on the technical and financial aspects of the business.

### The role of the department

These are all those activities undertaken by the business to make the operation of all business activities run more smoothly.

#### ➤ Registration

This involves the effective keeping and recording of all information regarding the business and its day-to-day activities in registers, books and on computers.

#### ➤ Control

Management's task is to continually evaluate business activities. The only way to control what is happening in the business is by having access to all types of information.



➤ **Observation**

Management often needs to make certain decisions (forecasting and projections) based on information gathered over the years. They will only be able to do so if they have access to all such information.

➤ **Safekeeping**

It is the responsibility of the administration department to keep all information safe in a central place, using a reliable network system.

**Requirements of an effective administration system**

➤ **Completeness**

Reliable historical and current information must be available at all times.

➤ **Cost effective**

The system in use must not be too costly.

➤ **Efficient and useful**

The system must keep relevant information that suits the business's purpose.

➤ **Accurate and reliable**

Information gathering methods must be effective to ensure that information is updated all the time.

➤ **Comply with legal requirements**

The system must enable the business to conform to all legislated requirements.

## Activity 1



Choose an explanation from Column B to fit the concepts listed in Column A.

COLUMN A	COLUMN B
1.1 Cost effective	A. Information must be available at all times.
1.2 Reliable	B. The role of the administration department is to assist the management in making projections and forecasts for the future.
1.3 Complete	C. Information must be updated all the time.
1.4 Control	D. The cost of the system in use must be suited to its purpose.
1.5 Observation	E. The department must provide information to assist management in the evaluation of the business's activities.



## Part 2

### INFORMATION AND DATA

What is the difference between data and information?

➤ **Data**

This is "raw" information that is not useful to management in its current form.

➤ **Information**

This is processed data that is useful to management to make certain decisions regarding the business.



### Information technology and communication (ITC)

The ITC system forms part of the administration department and includes the following:



- Computer hardware
  - This includes the central processing unit, work stations, printers, etc
- Software
  - All the programmes and packages that the business uses
- Telecommunication
  - Modems and phone lines
- Cellular networks
- The internet

### Computers

Computers have two main functions in the business environment:

- The storing of large amounts of data
- The processing of large amounts of data in a quick and effective manner

### Software

Different types of software packages that the business might use are:

- Word processing packages for correspondence and document presentation
- Presentations created on Power Point
- Accounting packages
- Spreadsheets for complicated calculations
- A database for the safekeeping of all clients' and suppliers' information
- Project management – planning and monitoring implementation of all projects
- Office communication – e-mails and co-ordinating appointments

## CONCLUSION

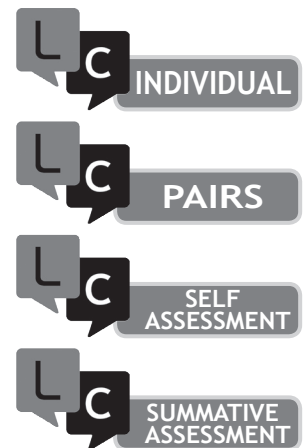
Without a well-managed administration department a business risks failure. It is not able to manage the valuable information necessary to make important decisions.

## Activity 2



Answer the following questions:

- 2.1 What is the main difference between data and information?
- 2.2 What does “ITC” stands for?
- 2.3 What are the two main functions of computers?
- 2.4 Name three software packages that a business can use and specify what it is used for.





# BUSINESS ENVIRONMENT

## Finance

### Learning Outcomes and Assessment Standards

#### **Learning Outcome 1: Business Environments**

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenged environments on business practice in all sectors.*

#### **Assessment Standard**

*Compare and describe the extent to which a business can control and influence the micro (internal), market and macro business environments.*



## Lesson

### Part 1

#### INTRODUCTION

Managing finance is a vital part of any organisation, be it a profit-making or a non-profit organisation. All organisations need money to function. They need money to pay their expenses. They also need to work out ways in which money can be used to achieve maximum profitability.

Finance comprises all the financial activities of a business. Many businesses have a department of finance managed by a financial manager.

The financial management is responsible for planning, organising, co-ordinating, delegating and controlling all of the financial activities. Their role is to maximise the value of the business by continually working to grow the money the business already has.

The financial manager must decide how much capital the business needs to fund its activities, and also how it can raise these funds.

#### **Money to finance a business may be acquired from:**

- The capital market  
All those institutions which provide the business with long-term finance, i.e. shares and long-term loans.
- Money market  
This market provides for short and medium-term finance, through, for example, bank overdrafts and trade credit.

#### **Forms of capital**

- **Own capital**  
The owner can provide capital for the business from his or her own savings, by borrowing from friends and relatives, or from selling shares.
- **Borrowed capital**  
This capital is provided by people who are not part of the business. Borrowed capital can be in the form of long-term loans, including debentures, mortgages and by other means. In the short-term, a business can buy on credit or apply for a bank overdraft.

## CONCLUSION

It is up to the financial manager to evaluate the business and decide how best to finance the business. No matter what the decision might be, the most economical way is the best.

## Activity 1

- 1.1 What is the importance of a financial manager?
- 1.2 Explain the difference sources of capital.
- 1.3 What do you understand by the term “borrowed capital”?
- 1.4 The money market and the capital market are two sources of acquiring capital. Explain the difference between the two.



## Part 2

After capital has been acquired, the manager must draw up a plan for how this money will be used. This plan is called a **budget**. A budget is drawn up to ensure that there is enough fixed and working capital to underpin the business. A budget is also a future plan; it shows all expected expenditure and income. When drawing up a budget, a manager is thinking ahead to avoid future problems. Two examples of such problems are over-capitalisation and under-capitalisation.

**Over-capitalisation** occurs when the capital available to a business is not used efficiently. Although capital is available, not all of it is used. To solve this problem, the business can invest the excess capital or expand the business.

**Under-capitalisation** occurs when there is not enough capital to finance the activities of the business. When this happens, a business often has to cut down on some of its expenses. Without sufficient capital, a business may not be able to compete against other companies.

To avoid these problems, two types of budgets are drawn up.

### The capital budget

The capital budget focusses on budgeting for the long-term. It usually covers a period of between 5-10 years and has to be reviewed annually. The capital budget makes provision for the buying of fixed assets such as land, buildings and equipment.

### The capital budget must take account of:

- **The nature of the business**  
A manufacturing enterprise will need more capital for buying machinery for manufacturing.
- **The size of the business**  
Bigger businesses may have a larger capital budget because they have to buy a bigger building, they need more machinery, etc.
- **Stages of development**  
An established business will already have fixed assets, but might need to replace some, whereas new businesses may still need to acquire fixed assets.



## The cash budget

The cash budget is drawn up to cover working capital needs for a period of a year. Working capital includes money for day-to-day expenses, e.g. rental, water and electricity, paying of wages, etc. It also provides for the financing of short-term liabilities and the buying of stock.

### The cash budget must take account of:

- The size of the business  
A bigger business has more expenses than a smaller business.
- Stages of development  
A new business needs more money for current assets than an established business.
- The length of the production cycle  
If it takes longer to produce a product, more working capital will be needed because most of the money will be tied up in unfinished products. Only when the product is sold will the business get money.
- Stock turnover rate  
The faster products can be sold, the lower the working capital needed.
- The debtors collection period  
If debtors pay promptly, less working capital will be needed.

## CONCLUSION

It is the duty of the financial manager to ensure there is sufficient capital in the business. Over-capitalisation and under-capitalisation are undesirable situations to be avoided. A budget must be drawn up. The capital and cash budgets are drawn up to deal with long-term and short-term capital needs respectively.



## Activity 2

2.1. Fill in the missing words.

- 2.1.1 A \_\_\_\_\_ is a financial plan that lists all expenses and income of the business.
  - 2.1.2 The capital budget focusses on budgeting for the \_\_\_\_\_ term.
  - 2.1.3 A situation where there is not enough capital to finance a business's activities is called \_\_\_\_\_.
  - 2.1.4 The \_\_\_\_\_ is drawn to cover working capital needs for a period of a year.
- 2.2
- 2.2.1 List three things that must be considered when drawing up a cash budget.
  - 2.2.2 What can the business do about over-capitalisation?

# BUSINESS OPERATIONS

## The marketing function



### Learning Outcomes and Assessment Standards

#### Learning Outcome 4: Business Operations

The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.

#### Assessment Standard

Analyse and discuss the following aspects of the marketing function:

Marketing activities

Product policy

Pricing policy

Distribution

Marketing communication

Foreign marketing

### Lesson

#### Part 1



### INTRODUCTION

Marketing is one of eight business functions. In general, marketing departments play a very important role in the businesses's success.

In this lesson we will investigate the marketing function of a business by focussing on the following:

- What is marketing?
- New marketing concepts
- The role of marketing
- Developing a marketing strategy

#### What is marketing?

*Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably. (Chartered Institute of Marketing)*

Traditionally, marketing was seen as an additional function, but the modern world has realised that marketing plays a vital role and it is therefore seen as one of the core functions of a business.

The marketing management team therefore has a huge responsibility. They need to determine:

- Which products to sell
- The selling price of products
- Where and how they are going to distribute products
- How they will communicate information about products

#### New concepts in marketing

New concepts often used in the modern world are:

- Social marketing



This type of marketing promotes a cause that benefits the broader society. This is often used by government or non-profitable organisations. (For example, the “Save energy” campaigns.)

➤ Customer-relations marketing

This type of marketing aims to build long-term relationships with consumers. It focusses on:

- Customer lifetime value
- Customer loyalty programmes

➤ Guerrilla marketing

This is an informal, cheap method of marketing that focusses more on investing energy into a campaign than money. It therefore needs less capital than is needed for expensive marketing campaigns.

### The role of marketing

The marketing department’s role can be summarised as follows:

➤ To gather information

Market research is done to determine the needs, preferences and buying behaviour of consumers.

➤ To assist in developing a marketing strategy

The marketing department’s responsibility is to create a marketing strategy in collaboration with other departments and top management.

➤ To develop a marketing plan

The overall marketing plan should take the “marketing mix” into consideration: the Four Ps: Product, Price, Place and Promotion.



## Activity 1

Answer the following questions:

- 1.1 What is customer-relations marketing?
- 1.2 Give an example of “customer loyalty programmes”.
- 1.3 Why do you think new, small, businesses make use of “guerrilla marketing”?
- 1.4 Why is it important for the marketing department to do market research from time to time?
- 1.5 What is the “marketing mix”?



## Part 2

### A marketing strategy

The marketing department needs to follow the following process in developing a marketing strategy:

- Step 1: Segmentation – dividing the potential market into various segments (sections).
- Step 2: Targeting – deciding which segment from step 1 the business is aiming to sell products to.

- Step 3: Positioning – deciding on how to position the product they are selling in each of the identified segments.

### **Market segmentation**

In dividing the potential market into segments, the marketing department needs to determine:

- Which type of market they are in?

Is the business selling consumer products or industrial products?

- The type of consumers to be targeted

Consumers with similar needs should be grouped together, e.g. by age group, income group, geographic area or lifestyle.

- The segmentation matrix

Plotting a segmentation matrix will allow the business to target consumers with a combination of the needs mentioned under the previous point.

### **Targeting**

The marketing department needs to determine the following important aspects:

- Is the identified segment easy to reach?
- Is there opportunity for growth in this identified segment?
- Will this segment be profitable?
- How much competition is there currently in the overall market?

### **Positioning**

The positioning of a product involves the following decisions:

- Determining what the USP (unique selling point) or “value proposition” of the product is.
- Determining what perceptions consumers have about the business and product.
- Determining how a product compares with other products available on the market.

Once the marketing department has established all these points, it will be able to identify how to position the business’s products in the overall market.

## **CONCLUSION**

The marketing department’s main responsibility is to plan and implement a marketing strategy in the most cost-effective way to ensure that the business will reach its goals.



## Activity 2

Create a mind map to summarise the complete process of developing a marketing strategy.



## Activity 3

List any FOUR factors that make foreign marketing more challenging than marketing within South Africa.





# BUSINESS OPERATIONS

## Marketing – The product

### Learning Outcomes and Assessment Standards

#### Learning Outcome 4: Business Operations

The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.

#### Assessment Standard

Analyse and discuss the product policy as an aspect of the marketing function.



## Lesson

### Part 1



## INTRODUCTION

Business marketing involves satisfying consumer needs by providing customers with products that are useful to them. A business therefore has to do thorough research into and analysis of consumer needs. Products that will satisfy these needs must then be produced and sold to consumers. In this lesson we will discuss what a product is, as well as what must be taken into consideration when producing products that satisfy consumer needs and create profit for a business.

Products are goods or services offered by a business that can satisfy consumer needs. A product can be tangible or intangible, e.g. bread is a tangible product that is bought to satisfy hunger, but if you catch a stomach bug, you would see a doctor (intangible product). You are buying the doctor's services, not the doctor. Some businesses offer both tangible and intangible products. Can you think of any examples?

### Product offering

A business can produce one or more products that it offers on the market. This is called the product offering. A product offering can consist of several product ranges, with a number of product lines offering a variety of product items. The illustration below explains this.

Toyota (SA) has the following **product ranges**:

#### Trucks



#### Mini-buses



#### Passenger vehicles



Within each product range, both product lines and product items will be found, e.g.

- The passenger vehicles range includes these product lines: Yaris, RunX, Rav4, Corolla, etc.
- Within each product line are various product items, e.g. the Yaris line offers the following product items: T1, T3+ and T3 Spirit.



## CONCLUSION

A business with a wide product offering can penetrate a variety of markets. This means that it can satisfy a high number of consumers, which results in higher sales and higher profits. It is therefore important that a business understands its markets, and always stays on the lookout for new customers.



## Activity 1

Choose any South African company and show how its products illustrate:

- > Product range
- > Product line
- > Product items

You can use pictures from magazines, newspapers, the internet or any other source. Paste your pictures on a chart and show it to the rest of your class.



## Part 2

### INTRODUCTION

The main aim of a business is to sell its products to consumers. Consumers want products that will satisfy their needs. It is up to a business to produce and sell goods that will satisfy the needs of their customers. Research has to be done to find out which goods will satisfy consumers. The business must then design a product, taking into consideration:

- > The design
- > The size
- > The style
- > The quality
- > The colour
- > The usefulness of the product

All these must be in accordance with the needs of consumers.

Several steps must be followed when designing any new product:.

- > **Developing ideas**  
Generate ideas through brainstorming and use the information collected through market research.
- > **Selection**  
Select the product idea that is most likely to satisfy the needs of your identified target market. The idea has to be both feasible (be possible to manufacture) and viable (profitable).
- > **Developing the product concept**  
This means finding out how the market will respond to the product. If there is potential for success, then you move to the next step, but if there is little potential, then adjustments should be made or the concept should be fully redeveloped.



- **Analysing profitability**  
Determine whether the product will be profitable or not. Do a comparison of the cost and selling price.
- **Designing and testing of the actual product**  
A new product has been designed and a sample is made to be tested for practicality, safety and its ability to satisfy consumer needs. At this stage, the business also decides on the packaging, branding and labelling of the product. If problems arise, this is the stage at which these must be dealt with.
- **Standardising and grading**  
The standard of products produced should be uniform in terms of colour, size, shape, etc. Products can be graded in terms of quality, e.g. eggs are graded by size.
- **Testing the market**  
This is the final testing stage of the consumers' reaction to the product, when final adjustments are made, if needed.
- **Commercialising the product**  
When a business is certain that its target market is willing to buy a product, it can start to produce and sell it.

## CONCLUSION

The product designing process is long, but it is important for a business to follow all the steps. There is no value in producing a product that is of no use to consumers. The design process ensures that the products produced satisfy consumer needs.

## Activity 2



Explain the product design process. Use examples to illustrate your explanations.



## Part 3

### INTRODUCTION

Brands and trademarks form an important part of the product. They make it easy for consumers to identify both the product and the manufacturer. They are an important part of marketing and should always appear on every product a business produces.

#### Brands

A brand is an identity that is unique to the product ranges or items of a particular business.

Brands play an important role for both consumers and marketers. There are many reasons why brands are important to consumers:

- **Identification**  
Brands make it easier for consumers to recognise the manufacturer. A supermarket sells many products sourced from different producers. Branding



helps a consumer to identify the brand they want from among a number of brands.

- **Standard and quality**  
Consumers know what kind of quality to expect from a certain brand. They prefer to buy good-quality products.
- **Protection**  
Branding protects consumers against producers who attempt to duplicate the product but compromise on quality.
- **Assist in decision-making**  
Branding helps consumers to make buying decisions because they know what to expect from a certain brand.
- **Familiarity and loyalty**  
Brands encourage consumer familiarity and loyalty.

**The following are examples of well-known South African brands:**



### **Trademarks**

A trademark is a registered symbol, design, slogan, name or specific colour that is given exclusive legal protection.

Trademarks allow consumers to differentiate between different brands.

Requirements of trademarks:

- They must be unique and original.
- They must be easy to recognise.
- Simple language and slogans should be used.

When a business has decided on how to brand and trademark its products, the next stage is to decide on how to package the product.

### **Packaging**

Packaging involves the planning, design and creation of suitable containers in which product items will be placed or wrapped so that they may be adequately protected, stored, transported and easily identified.

## Importance of packaging

Packaging is not only used to **protect** a product but also provides marketing opportunities. In other words, the marketer can use the packaging as the foundation of a **marketing** campaign. It makes the product look **attractive** on the display shelf.

## Types of packaging

- Specialty packaging
- Reusable packaging
- Multiple packaging
- Kaleidoscope packaging
- Packaging for immediate use
- Unique packaging

When deciding on the type and design of packaging, the manufacturer must understand that certain products and packaging are subject to legal requirements. The manufacturer must comply with these requirements.

## Legal requirements for packaging

- Warning labels  
Manufacturers must show whether a product may be potentially harmful to consumers or the environment.
- Age requirements  
Some products are not meant for children to use, so manufacturers must indicate for which age range a product is suitable.
- Ingredients  
With food products, manufacturers must show which ingredients have been used in making the product, and includes information about nutritional values and ingredients that may cause allergies in some people.
- Limitations on use and dangers  
Limitations include giving a “sell-by” date on food products, to indicate for how long a product may be safely used, or on medicines giving the correct dosage, or whether a product might be dangerous under certain conditions, such as using electrical appliances near water.
- Contact details of the manufacturer

## CONCLUSION

Making product decisions is a vital part of the marketing mix. The business has to gather ideas, design the product, decide on the packaging, etc. This must be done very carefully because the product is what will make money for the business. The product must satisfy consumers' needs.





## Activity 3

3.1 Find out what the following packaging is used for and give examples of products you have seen or bought:

- 3.1.1 Specialty packaging
- 3.1.2 Reusable packaging
- 3.1.3 Multiple packaging
- 3.1.4 Kaleidoscope packaging
- 3.1.5 Packaging for immediate use

# BUSINESS OPERATIONS

## The pricing policy

### Learning Outcomes and Assessment Standards

#### Learning Outcome 4: Business Operations

*The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.*

#### Assessment Standard

*Analyse and discuss the following aspects of the marketing function:*

*Marketing activities*

*Product policy*

*Pricing policy*

*Distribution*

*Marketing communication*

*Foreign marketing*



## Lesson

### Part 1



## INTRODUCTION

Price is one of the four Ps of the marketing mix. Determining the right price for a product is very important. It is a “compromising process” between the marketer and the consumer.

In this lesson we will study pricing policy as a part of the marketing mix by focussing on:

- What is price?
- Considerations when determining price
- Factors influencing the price of a product
- Strategies in determining the price of a product
- Different approaches that can be used to determine the price of a product

### Price

The price of a product is the exchange value of the product. Price is regarded as what the consumer is willing to pay for a product, based on the value that the product or service has for the consumer, and what the supplier is willing to sell it for.

### Considerations

Three important factors help to determine the price of a product:

- The cost of production  
This is the total cost involved in producing/manufacturing a product. The total product production costs include both fixed costs and variable costs.
- The perceived value  
The value of a product lies in the benefits consumers believe a product might give them. Consumers have a certain perception about the value of a product.



- The volume of sales  
Every business aims to make a profit. The amount of profit a business makes each month will be determined by the number of products it sells each month. The total number of sales will be influenced by the price of the product. (Consumers must perceive the price as a realistic, reasonable price for that type of product.)

### Factors influencing price

The price of a product is influenced by four factors.

#### 1. The type of market

Businesses can operate in four types of market:

- The monopoly: one supplier/seller of a product service determines prices. (Spornet – railways)
- The oligopoly: a few suppliers determine the price of the product. (Cellphone networks and service providers)
- Monopolistic competition: one supplier for a wide range of products. (SAB – many varieties of beer)
- Perfect competition: prices are determined by market forces, the level of demand for products and the quantity of the supply of products. (Supermarkets)

#### 2. Government regulation

The government intervenes to control/regulate the prices of certain products. For example, the determining and regulation of prices for products such as bread, agricultural products, petrol, etc.

#### 3. Elasticity of demand

Consumers are often very sensitive to changes in the price of products. This sensitivity of demand to changes in product pricing is known as elasticity of demand.

#### 4. The availability of substitute products

When there are many different brands of the same product available on the market (e.g. washing powders), consumers will tend to buy cheaper substitute products if the price of a particular product increases too much. So the availability of substitutes also plays an important role when suppliers consider increasing the prices of their products.

## Activity 1

Say whether the following statements are TRUE or FALSE. (If FALSE, you need to change the underlined section to make the statement TRUE).

- 1.1 The **elasticity** of the product is the benefit it has for the consumer.
- 1.2 The cost of **promotion** is an important consideration when setting the price of the product.
- 1.3 Elasticity of demand is reflected in how sensitive consumers are to price increases in relation to the **quality** of a product.
- 1.4 Consumers will replace a particular product with a substitute if the original product is **cheaper**.
- 1.5 Government will intervene in the setting of prices for products such as **luxury/status** products.





## Part 2



### Determining prices

Marketers use four strategies when determining the price of products:

➤ **Economic pricing**

A business uses this strategy for high-volume, basic, “no-frills” products. A good example is “no-name brand” products. Suppliers of such products are able to charge lower prices because they save by not using fancy, high-cost packaging.

➤ **Penetration pricing**

Businesses set prices artificially low to be able to gain market share. For example, the “once-off promotion” strategy to introduce new products to the market.

➤ **Price skimming**

Businesses often use this for new products based on new technology. They charge higher prices for a unique product for which there is little or no competition. This strategy is not suitable over the long-term but can be successful in the short-term.

➤ **Premium pricing**

This strategy is used for low-volume, niche-market products. The supplier charges high prices for unique, status products. For example, designer clothing or works of art.

### Approaches

Other strategies that product suppliers can use in setting prices are:

➤ **Psychological pricing**

If suppliers want consumers to respond emotionally to the prices of certain products, they charge R9,99 instead of R10 – the first price sounds cheaper than the second.

➤ **Captive product pricing**

This approach is used for products that need complementary accessories; for example, printers and ink cartridges. The business charges a low price for the printer to “capture” the consumer, and then charges high prices for the complementary product (ink cartridges).

➤ **Promotional pricing**

This strategy is often used to promote and remind consumers about an old product; for example, “Buy one, get one free” promotions.

## CONCLUSION

The price of a product in a competitive market is of great importance and must continually be re-evaluated and monitored by a business’s marketing department.



## Activity 2

Identify the pricing strategy each of the businesses in the following examples should use.

NO.	EXAMPLE	PRICING STRATEGY
1	McDonald's introduces a new range of value meals.	?
2	A game farm launches a new luxury game lodge and tourism package.	?
3	A new cellphone service provider, Talk it, enters the market and needs to create market share.	?
4	Checkers launches a new range of no-name brand instant foods.	?
5	Sony Ericson introduces a new video-phone as the first entry into the market.	?



# BUSINESS OPERATIONS

## Marketing

### Learning Outcomes and Assessment Standards

#### Learning Outcome 4: Business Operations

*The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.*

#### Assessment Standard

*Analyse and discuss marketing communication as an aspect of the marketing function.*



## Lesson

### Part 1



## INTRODUCTION

When a business has produced its product and decided on the price at which the product must be sold, the next thing to be done is to introduce the product to consumers. In this lesson we will discuss the role of promotion and the elements of communication which include advertising, publicity, sales promotions, etc. We will discuss advertising and publicity in detail. People often confuse advertising and publicity. By the end of this lesson, you will have learnt the difference between the two.

Marketing communication (promotion) is defined by its role.

*The role of promotion is to:*

1. Inform consumers about products which a business has made available on the market.
2. Persuade consumers to buy the product.
3. If a business is already selling the product, promotion can remind consumers about the product.
4. Lower costs for the business; the more units a manufacturer can sell, the less each unit will cost to produce.

Promotion is about ensuring that a business has customers who will buy its product.

There are many ways in which communication can be effected. Below are some examples:

#### 1. Sales promotion

This refers to any method persuades customers to buy a product. One way is to offer consumers free samples of a product. In this way consumers can test the product in the hope that they will like it enough to buy it in future.

#### 2. Personal selling

A business appoints representatives to visit potential customers and advertise a product face-to-face. It is vital that such representatives have an in-depth knowledge about the product.



### 3. **Publicity**

Publicity is the publishing of credible reports about a business made by other businesses, or by people in media (such as newspapers and magazines). Publicity focusses on the image of a business rather than on the various products a business sells.

### 4. **Advertising**

Any form of presentation and promotion of ideas, goods or services in a non-personal way. Advertising is aimed at groups of people rather than at individuals. This audience may or may not respond to the advertisement.

Advertising includes the following aspects:

- It is a public presentation; a way of communicating with consumers.
- It is a pervasive medium; the same message can be repeated over and over again.
- It increases expressiveness; communication can be enhanced in any way the marketer chooses to use, such as with colour, sound, etc.
- It is non-personal; advertising is aimed at a large audience, not at a specific individual.

In any business, the marketing function is responsible for creating advertisements that will communicate exactly what the business wants to say to consumers. A good advertisement should be designed in line with the AIDA principle.

Advertisements should:

- Draw audience **Attention** by being attractive, with the use of colour and music.
- Arouse audience **Interest** by making them want to know more about the product.
- Create audience **Desire** to buy and own a product.
- Lead to audience **Action**. The overall purpose of an advertisement is to create such a strong desire to own a product that it leads the audience to buying the product.

The marketer must keep in mind that not all people will have a need for a specific product. But some advertisements can be so good that consumers will be persuaded to buy a specific product, even when they don't actually need it.

Businesses spend a lot of money on advertising in the hope that it will bring them good returns. A business should appoint a good marketing team that creates excellent advertising. Sometimes, businesses choose to appoint outside companies that specialise in producing advertising.

An **advertising campaign** should be well planned, budgeted for and designed.

The following steps should be taken when launching an advertising campaign:

- Market research should be done to find out as much information as possible about the target market, including what competitors are doing to attract consumers.
- Determine the aim of the campaign. It should specify what the campaign is, e.g. to introduce the product to the market or to increase sales by 10% over current sales.
- A budget should be worked out to ensure there is enough money to finance the entire campaign.



- An advertising medium should be selected, bearing in mind the target audience, the budget available and the space and time the advert will take up.
- The advert should be designed following the AIDA principle. The trademark and brand name should also appear in the advert.
- The advertisement should be co-ordinated with other elements of marketing communication. *Do you still remember what these are?*
- Decide on which distribution channel will be used to get products to the consumers.
- Get some feedback on the campaign. Test whether the aims of the campaign have been achieved or not.

## CONCLUSION

In this section we have learnt about the role of communication and the elements of communication. We discussed advertising in greater detail by looking at the aspects of advertising, a good advertising campaign and the steps that should be followed in planning for an advertising campaign. Some businesses might be tempted to create an advertisement that is misleading just to attract more customers. This is unethical behaviour and contravenes the laws that protect the public against such behaviour. All businesses must adhere to these laws.

## Activity 1



- 1.1 Explain what communication is by defining the role it plays in a business.
- 1.2. List four elements of communication.
- 1.3. Cut out an advertisement from any newspaper or magazine. Study the advert carefully.
  - 1.3.1 Does the advert follow the principle of AIDA?
  - 1.3.2 Does the advert show a trademark and brand name? Why do you think it is important for an advertisement to have this?



## Part 2

There are different types of advertising media that can be used to convey a business's marketing message to consumers.

When a marketer chooses a specific advertising medium, the following should be taken into consideration:

- The nature of the product
- The habits of the target market
- The location of the target market
- The money available



## Advertising media

- Newspapers and magazines (print media) target specific audiences; for example, some magazines are aimed at either men or women. A business would therefore be foolish to place an advertisement aimed at female consumers in a magazine read mainly by men. Newspapers reach a broader audience and most magazines are sold nationally.
- Pamphlets and flyers can be produced and distributed in large quantities. The response to these is said to be very low.
- Billboards are available 24 hours a day, but they have an impact only on those people who see them often.
- Radio can reach a large audience at the same time. The advantage of radio advertising is that even consumers in rural areas can be reached, especially as radios do not need electricity to work but can be run on batteries.
- Television reaches a massive audience, but it is the most expensive form of advertising. Television has the advantage of combining sound with colour, which can be used to attract consumers.

People often confuse advertising with publicity or publicity with advertising. The difference between these two is that:

**Advertising** focusses on promoting the **products or services** offered by a business. The marketing function is responsible for this task.

**Publicity** focusses on promoting the **image** of the business. The public relations function is responsible for this task.

## Publicity

Publicity can be a conscious process or it can be unplanned.

A business can do media releases to announce, for instance, all the good things it has done for the community or intends doing. This type of publicity is planned.

But if someone uses one of the business's products and finds that it has a negative effect either on themselves or on the environment, that person might tell a friend, who tells another friend, and so the news spreads. This is also publicity for a business because people associate the product with the business.

Publicity can be both good or bad, positive or negative. A business often has no control over publicity.

## Activity 2

2.1 You have been appointed as the new leader of the marketing team in your company, which specialises in making cellphones. A new product item has been introduced to the cellphone product line. The product item has already been branded and is ready to be introduced to consumers.

As the new head of marketing, you are required to launch an advertising campaign for the new cellphone. You must decide between two types of advertising media.

Your campaign plan will be presented in class. You will have to explain the steps followed in designing the campaign and the factors that led you to decide on the advertising medium you chose.



### Activity 3



Marketing management must be aware of the contents of a product. Special attention must be paid to the correct choice of packaging.

Explain FOUR different forms or types of packaging. Make use of suitable examples in your answer.



### Activity 4



Advertising has several advantages for both consumers and marketers. It helps consumers attain the highest needs satisfaction at the best possible price.

List any FOUR other advantages for consumers and marketers.



# Lesson 26

## BUSINESS OPERATIONS Distribution and foreign marketing

### Learning Outcomes and Assessment Standards

#### Learning Outcome 4: Business Operations

The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.

#### Assessment Standard

Analyse and discuss the following aspects of the marketing function:

- Marketing activities
- Product policy
- Pricing policy
- Distribution
- Marketing communication
- Foreign marketing.



### Lesson

#### Part 1

### INTRODUCTION

The ability to have the right product available to consumers at the right time and in the right place is an important part of a business's marketing function. This process includes the distribution of the product to the right place.

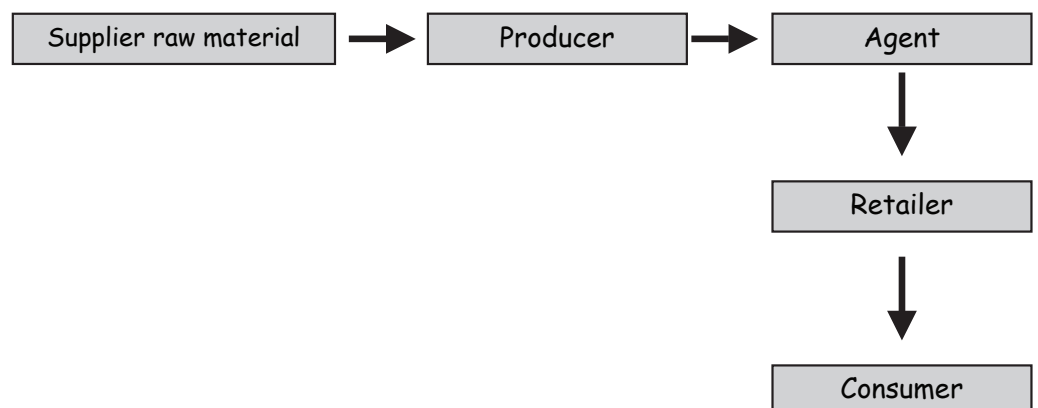
In this lesson we will study the distribution policy as part of the marketing mix by focussing on:

- > What a distribution channel is?
- > Different distributors
- > Choosing the right distributors
- > Foreign marketing/distribution

#### What is a distribution channel?

A distribution channel is the mechanism by which the product is moved from the producer (supplier) to consumers to make the product available to consumers.

#### An example of a distribution channel





## Distributors/channel intermediaries

There are four types of distributors/channel intermediaries that can be included in a distribution channel:

### ➤ Wholesalers

The wholesaler buys products from the producer and sells them on to the retailer. They normally buy in bulk and sell smaller quantities to retailers. They make a profit by adding a mark-up price to the products they sell.

### ➤ Agents

An agent is a person or organisation who negotiates the sale of goods at a certain price for a producer either locally or overseas. Agents are often used to market specific products and therefore get a percentage of the total sales of that product.

### ➤ Retailers

Retailers are the outlets at which consumers buy goods. They have a more personal relationship with consumers because they deal with them directly.

### ➤ The Internet

The Internet is the most recently developed intermediary and often replaces some of the other channel intermediaries. Consumers often purchase goods directly from producers or distributors over the Internet, so no longer need to visit a retail outlet to find a specific product. The advantage of this channel intermediary is that it can reach customers all over the world.

## Activity 1

Choose a function from Column B to fit the type of distributor listed in Column A.

Column A	Column B
1.1 The internet	A. The foreign market makes use of them.
1.2 Wholesalers	B. They sell directly to the consumer as end-user.
1.3 Retailers	C. They often sell to the retail shops.
1.4 Agents	D. They earn a commission on the total value of the sales transaction.
	E. They make a profit by adding a mark-up to the cost price of a product.
	F. These intermediaries reach consumers worldwide.



## Part 2

### Choosing a channel

It is important for a business to choose the right channel intermediaries. Poor distribution decisions can have a negative impact on the business's successful operation. Good distribution decisions need to be made to have the product available for purchase by consumers at the right time and in the right place.

**A business needs to make decisions about the following aspects:**

### ➤ Direct marketing/indirect marketing

A business needs to determine whether it has the appropriate infrastructure available with which to transport its products to different retailers. If not, it needs to make use of intermediaries that can fulfil this task.



➤ **A single channel or a multiple channel**

New businesses often use a single channel because of the cost implications. If a business does have enough funds available, using multiple channels will ensure that its products can reach more potential consumers.

➤ **The type of intermediaries**

A business that plans to market its products in a foreign country often needs to use agents who are familiar with international marketing.

➤ **Which companies must be used as intermediaries**

A business needs to consider which companies fit in with its own business image, as well as those that have experience in the distribution field.

### **Adding value**

#### **Intermediaries can add value to a product in a variety of ways:**

➤ **Time**

Distributing the product through an intermediary often saves the producer time. They ensure that goods reach consumers directly and quickly.

➤ **Information**

Distributors are in closer contact with the market and are much more aware of changes in consumer needs and preferences. They are therefore sources of useful information for producers.

➤ **Risk**

Distributors take responsibility for products until they have been sold to consumers, and therefore the responsibility for loss is theirs.

➤ **Contact with the end-user**

Distributors are able to represent the producer because they are in direct contact with retailers, and through them, with consumers.

➤ **Physical movement**

Distributors enable the physical movement of products from producers to retail outlets and consumers.

➤ **Profits**

Producers don't always have the time to sell products to small outlets. It is therefore much easier for them to sell in bulk to wholesalers. (Selling in bulk means more profits for the producer.)

### **Foreign marketing**

Foreign marketing is the buying and selling of goods between countries. To be able to deliver the product at the right time to the right place (country) requires an effective distribution network.

Businesses planning to distribute their products overseas should consider the following:

➤ The need for good knowledge about the foreign country and its internal market.

➤ That it is more expensive to transport a product overseas than to distribute it locally.



- The need to deal with foreign customs authorities (foreign legislation and laws).
- The need to comply with all quality and safety regulations laid down by the foreign country.
- The need to keep track of fluctuations in the value of the currencies involved (exchange rates).

## CONCLUSION

The aim of a distribution policy is to benefit consumers by having products available at the right time and in the right place. Choosing the right distribution channel is a vital decision, because it determines whether products are available for consumers to purchase.

### Activity 2



Draw an applicable distribution channel for each of the following products:

- 2.1 An entrepreneur selling fruit on a street corner
- 2.2 Bread
- 2.3 Branded clothing



### Activity 3



Explain why you have chosen a specific channel for distributing the products mentioned in activity 2.



# Lesson 27

## THE PRODUCTION FUNCTION

### Planning

#### Learning Outcomes and Assessment Standards

##### **Learning Outcome 1: Business Environments**

*The learner is able to demonstrate knowledge and analyse the impact of changing and challenging environments on business practice in all sectors.*

##### **Assessment Standard**

*Identify and discuss how a business constantly needs to adapt to the challenges of the micro (internal), marketing and macro business environments.*

##### **Learning Outcome 4: Business Operations**

*The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.*

##### **Assessment Standard**

*Analyse and discuss the production planning and production systems as an aspect of the production function.*



### Lesson

#### Part 1

#### INTRODUCTION

Production focusses on the making of the products that are sold by the business. The production function transforms all the factors of production into products that can be sold to consumers. In this lesson we focus on how the production process is planned and the factors that must be taken into consideration when planning for production.

##### **What is production?**

*It is the transformation of raw material into semi-finished and finished goods.*

Natural resources are extracted in their raw form and then made into products which have utility (the ability to satisfy a need). The primary and secondary sectors are similar, in that the primary sector deals with the extraction of materials, e.g. cutting down trees in a forest (primary sector) which is then cut into timber, making a semi-finished product. This timber is then sold to factories that make products out of wood, e.g. tables (a finished product).

The production manager liaises with the marketing manager about the quantity of products needed by consumers and when they are needed.

##### **Five factors make production possible**

###### 1. **Capital**

There has to be money available to finance the inputs needed, e.g. to buy the machinery needed for production. *Can you remember the different forms of capital we discussed in one of our lessons?*

###### 2. **Raw materials**

The natural resources that are used to make any product, e.g. to make a jersey, woollen yarn might be used; therefore wool is a raw material.



### 3. Labour

There must be people to work in the factory. Nowadays fewer people may be needed in factories because of the automated machinery used, but even these sophisticated machines have to be operated by people, and people are needed to ensure there are enough supplies to produce goods and that these goods are properly stored.

### 4. Entrepreneurship

Entrepreneurial skill – the ability to imagine and create the product or service.

### 5. Technological development

For business to meet consumer needs, the production process needs to be as quick and efficient as possible. The development of new technology makes this possible. Most businesses cannot operate without technology.

A business can choose various ways to produce its products. We call these production systems. The nature and quantity of the products to be produced will be the determining factors for choosing a production system.

Another determining factor is cost. A business needs to make money, not lose it. So the most economical system for making the product will be chosen. The system used influences the final product price.

#### **Production systems can be divided into two groups**

- Uninterrupted production
- Interrupted production

#### **Mass production falls under uninterrupted production.**

Mass production is when goods are produced in large quantities. It is called uninterrupted production because, from the point at which raw materials enter the production process, they are transported through various stages of production (work stations) by means of a conveyor belt. The machines used in this system of production are sophisticated and often automated.

#### **Elements of uninterrupted production**

- Cost of production is low.
- Most work is automated, i.e. the work is done by machine.
- Fewer errors are made.
- The machinery is very expensive.
- It is inflexible because production cannot be interrupted or held up at any point. If mistakes occur at one work station, they will have a ripple effect on the entire process and changes cannot be made easily.

#### **Jobbing and batching are two examples of interrupted production.**

Jobbing is the manufacturing of smaller items for specific purposes. These go into the making of larger products, such as parts for cars, so that each stage of producing a finished car requires its own production plan.

Batching is when a limited number of units of a specific product is made in batches, e.g. a bakery will produce batches of brown bread, then scones, then rolls, and so on with all the other products it makes.



## Elements of interrupted production

- It is more flexible than uninterrupted production. Production is broken down into smaller parts. If problems occur during the production process, production can be stopped and the mistake rectified.
- Less expensive machinery is used.
- Production costs per unit are higher.
- Production is slower because of the “stop and go” nature of the process.

Choosing a production system is part of the planning process. As with all the activities in a business, there is some form of control. The following are steps that can be followed to ensure that the whole process goes well:

### ➤ **Routing**

A plan is drawn up to show how the process will work, from the point at which raw materials arrive at the factory until the finished products are ready to be distributed and sold.

### ➤ **Scheduling**

All the activities needed are organised in sequence. All workers are told what to do and when to do it.

### ➤ **Execution**

Everyone does that part of the process for which they are responsible.

### ➤ **Control**

At all stages of production, some form of inspection is needed to determine whether the process is running smoothly and that the products are being produced according to specifications.

## CONCLUSION

The production function is the core of the business. Without products to sell, a business is nothing, which is why it is essential that the production function is carefully planned. The business wants to make a profit, so it needs to lower the cost of inputs so that higher profit margins can be achieved.

In this lesson, we have discussed the production factors, the production systems and production planning.

## Activity 1

1. Explain what production is.
2. Which factors are necessary for transforming raw materials into usable products?
3. Collect ten different products from home or cut out pictures of products from any print media. Which production process was used to produce each of these products?



Use the following table. Add more rows in your work book.

Use a (✓) to indicate the most appropriate production system for the product.

Product	Mass	Batch	Jobbing



# Lesson 28

## PRODUCTION

### Quality control and safety management

#### Learning Outcomes and Assessment Standards

##### Learning Outcome 4: Business Operations

*The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.*

##### Assessment Standard

*Analyse and discuss the following aspects of the production function:*

*Systems*

*Production planning*

*Safety management*

*Quality control*

*Production costs.*



#### Lesson

##### Part 1

### INTRODUCTION

It is important for business to aim at producing the highest quality products. A single experience with a poor-quality product may ruin the business/customer relationship.

In this lesson we study the production function as part of the internal business environment. The main points to be discussed are:

- Quality control
- Quality management
- The ISO 9000 and SABS
- What safety management is?
- Important aspects of safety management

#### Quality control

The traditional approach to ensuring product quality is quality control. Using this approach, the business has a separate quality control department or quality controller which inspects for quality at the end of the production process. They identify faulty products, which are then thrown away.

#### Quality management

A more modern approach is to manage quality throughout the production process. A familiar concept these days is “Total Quality Management” (TQM), which involves all staff. All employees are required to ensure the production and delivery of a good-quality product.

#### Requirements for an effective quality management programme:

- Training: All workers need to be trained on all aspects of the production process.
- A healthy relationship with raw materials suppliers will ensure that only good-quality raw materials are purchased.





- Work systems should be in place which empower workers to make decisions about resolving problems at their own part of the production process.

### The ISO 9000

The International Standards Organisation has drawn up standards for many procedures and systems to which businesses can voluntarily subscribe. These quality management systems lay down specific procedures that ensure the production of good-quality products.

The ISO 9000 standards are simply guides that don't prescribe what must be done – that is left to each business to decide. Mostly large businesses apply for accreditation because it is a complicated and expensive procedure.

### The SABS

The South African Bureau of Standards was established to ensure that all South African businesses meet a range of set standards, with regard to health, safety and protection of the environment. The SABS core activities are:

- Developing common standards
- Formulating regulations
- Protecting consumers against harmful practices

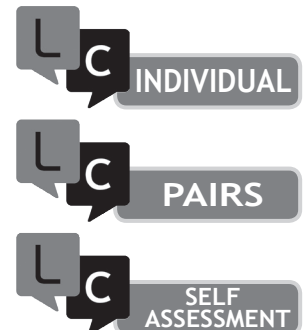
VISIT:

[www.sabs.co.za](http://www.sabs.co.za)

## Activity 1

Answer the following questions:

- 1.1 What is the main difference between quality control and quality management?
- 1.2 Which of these approaches do you think is the best one? Why?
- 1.3 What does the ISO 9000 stand for?
- 1.4 What are the main activities of the SABS?



## Part 2

### INTRODUCTION

Managing safety in the workplace should be a central concern for all businesses. Businesses must put the safety and comfort of their workers first. If workers feel safe in their workplace, they will be motivated to work harder and give their best to the owners of the business.

### SAFETY MANAGEMENT

There are two important pieces of legislation that businesses and workers should be aware of. These are:

- The Occupational Health and Safety Act 1993
- The Compensation for Occupational Injuries and Diseases Act 1993 (amended in 1997)



These two Acts place certain responsibilities on both employers and employees.

### **Employer responsibilities**

- The employer must create a safe and healthy working environment for its employees. Appropriate safety gear must always be available.
- The employer must also consider the safety of all stakeholders connected to the business. (For example, the safe production of quality foodstuffs that do not endanger the consumers health.)

### **Employee responsibilities**

- The employee must consider his/her own actions and realise that incorrect or dangerous actions can be harmful to co-workers.
- The employee must always carry out reasonable orders given by management.
- The employee must always immediately report unsafe situations and problems to management.

### **Aspects of safety in the workplace**

#### **The following aspects of safety in the workplace have been identified:**

- Almost 98% of people's incorrect actions lead to unsafe practices.
- People's incorrect actions can damage equipment and machinery, which can lead to dangerous situations.
- A lack of motivation can be a cause of unsafe practices because workers are not focussed and productive.
- Management has a responsibility to provide whatever safety gear is necessary and ensure a safe working environment.



### **Activity 2**

Write a short paragraph (about 15 lines) on the importance of the SABS and give examples of standards that have been set by them.



### **Activity 3**

Mbizana Manufacturers CC specialises in the manufacturing of different sized trailers for the transport industry.

As Production Manager, explain the safety precautions, or safety plan, that you will implement to ensure a safe and healthy environment for your employees.

# THE PRODUCTION FUNCTION

## Production costs

### Learning Outcomes and Assessment Standards

#### Learning Outcome 2: Business Ventures

The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.

#### Assessment Standard

Present a variety of business-related information clearly and accurately in verbal and non-verbal format (including graphs), and respond professionally to questions and feedback.

#### Learning Outcome 4: Business Operations

The learner is able to demonstrate and apply a range of management skills and specialised knowledge to perform business operations successfully.

#### Assessment Standard

Analyse and discuss the production planning and production systems as an aspect of the production function.



## Lesson



### INTRODUCTION

We have learnt about planning for production, safety management and quality control. These are all important aspects of production. The last aspect to discuss is production costs. Businesses aim to make profits. To be able to make profits, money has to be spent. Businesses need to keep their costs as low as possible so that they can realise a higher profit. In this lesson we discuss the importance of cost to a business, we will do cost analyses and a break-even analysis.

#### Importance of cost

1. A business needs to determine its expenditure. It is easier to budget and to calculate the projected profit if the business knows how much it spends producing a unit.
2. The business needs to know where there is unnecessary expenditure and waste. These lower profits and should be eliminated.
3. If a business knows its costs, it is able to determine its break-even point, the point at which there have been enough sales to cover the cost of production, but no profit has yet been made.
4. A business can also determine its safety margin, the point at which it is safe to continue production even though it is not making any profit.
5. Understanding costs makes it easier for a business to adjust its selling targets to enable it to earn more revenue.

#### Cost analysis

Costs can be classified into two groups:

- Direct cost / primary cost
- Indirect cost / overhead cost



### Primary costs

All the money that is spent on buying raw materials used in the production of a product; for example, to make a table, wood, glue and screws are primary costs. Direct labour costs also fall under primary costs. This is the money paid to the factory workers who are involved in production.

### Indirect costs

These costs cannot be attributed to any particular product, and include fixed costs and variable costs.

### Fixed costs

These are costs incurred regardless of whether products are produced or not, e.g. rent and rates that have to be paid.

### Variable costs

These vary according to the consumption of resources such as water and electricity. A business pays only for what it has consumed.

### Total costs

This is the sum of fixed and variable cost. A business sometimes finds itself in a situation in which it is not covering its basic expenses. This is very unpleasant for a business. A business needs to strive to cover all its costs; in other words, to sell enough products so that there is money to cover all expenses. We call this the break-even point.

We will illustrate the break-even point graphically. The following case study is used:

*Zodwa produces sweaters at a variable cost of R20 each. Her plan is to sell them at R45 each. Her total fixed cost per month is R5 000 and she plans to produce 500 sweaters per month.*

*Determine the break-even point.*

The first thing to determine is the variable cost for 100, 200, 300, 400 and 500 sweaters produced, and do the same for fixed costs.

### Variable costs calculations

- a)  $100 \times R20 = 2\ 000$
- b)  $200 \times R20 = 4\ 000$
- c)  $300 \times R20 = 6\ 000$
- d)  $400 \times R20 = 8\ 000$
- e)  $500 \times R20 = 10\ 000$

### Fixed costs calculations

- a)  $100 = R5\ 000$
- b)  $200 = R5\ 000$
- c)  $300 = R5\ 000$
- d)  $400 = R5\ 000$
- e)  $500 = R5\ 000$

No matter how many units Zodwa produces, she still has to pay for her fixed costs, which amount to R5 000 per month.



Now that we know how much the variable and fixed costs are, the next step is to determine the total cost. Remember: total cost is the sum of variable costs and fixed costs. Use this formula:  $FC + VC = TC$

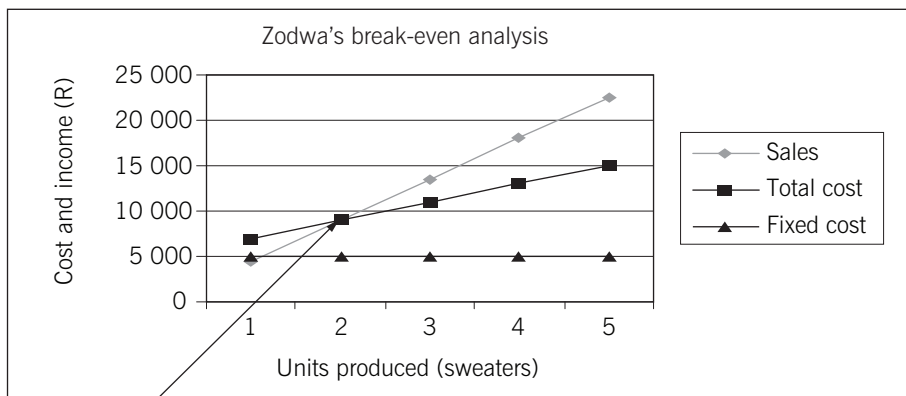
### Total cost

- a)  $100 \ 2\ 000 + 5\ 000 = 7\ 000$
- b)  $200 \ 4\ 000 + 5\ 000 = 9\ 000$
- c)  $300 \ 6\ 000 + 5\ 000 = 11\ 000$
- d)  $400 \ 8\ 000 + 5\ 000 = 13\ 000$
- e)  $500 \ 10\ 000 + 5\ 000 = 15\ 000$

The next step is to determine the selling price for 100, 200, 300, 400 and 500 sweaters.

- a)  $100 \times R45 = 4\ 500$
- b)  $200 \times R45 = 9\ 000$
- c)  $300 \times R45 = 13\ 500$
- d)  $400 \times R45 = 18\ 000$
- e)  $500 \times R45 = 22\ 500$

This information is used to plot a graph. From our graph, we will be able to calculate the break-even point.



Break-even point

According to our graph, the break-even point is the point at which total sales and total costs intersect, which is R9 000. This means that Zodwa has to sell 200 units in order to break even.

At any point below the break-even point, Zodwa will be producing at a loss and above this point she will start making a profit.

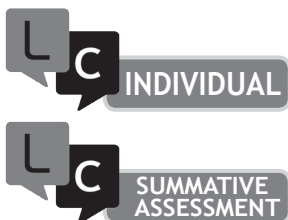




## Activity 1

Ludwe owns a music production studio. One of his artists recorded an album and they plan to produce 50 000 copies and sell them at R50 per copy. The variable cost for each unit produced is R5 and fixed costs are R20 000 per month.

1. Determine the break-even point. (Show all calculations and illustrate this graphically.)
2. Study the graph you have plotted and then answer the following questions:
  - 2.2.1 How many CDs must be produced and sold to cover costs?
  - 2.2.2 How much profit/loss will be made if \_\_\_\_\_ are produced and sold?
    - a) 10 000
    - b) 50 000



## Activity 2

Study the information given below from Darnall Manufacturers CC which produces canned food. Answer the questions:

DARNELL MANUFACTURERS CC

PRODUCTION COSTS FOR AUGUST 2007

Raw materials for canned food	R40 000
Direct labour cost	R60 000
Insurance	R8 000
Rent for factory	R10 000
Depreciation of manufacturing plant	R4 000
Cleaning materials	R9 000
Packaging materials	R13 000

Darnall Manufacturers CC produced 36 000 tins of canned food during August 2007. Show all your calculations for the following questions:

1. Calculate the primary costs for the month.
2. Calculate the fixed overhead costs for the month.
3. Calculate the total production costs for the month.
4. Calculate the cost of ONE tin of canned food.



# BUSINESS VENTURES

## The entrepreneur and his business

### Learning Outcomes and Assessment Standards

#### Learning Outcome 2: Business Ventures

The learner is able to identify and research viable business opportunities and to explore these and related issues through the creation of achievable business ventures.

#### Assessment Standard

Analyse the degree to which a business embraces entrepreneurial qualities.



## Lesson

### Part 1



## INTRODUCTION

An entrepreneur is a person who creates a business with the purpose of making a profit and to be self-employed. Entrepreneurs must have certain qualities to be able to achieve these objectives and to make a success of the business they create.

In this lesson we focus again on the entrepreneur and the necessary qualities he/she must have to be successful. We explore which factors determine the success of a business. We will investigate these aspects:

- An article
- What is an entrepreneur?
- Qualities of an entrepreneur
- What makes a business successful?
- The small retail shop – a spaza shop

#### ***Take the entrepreneur test***

By Martin Feinstein

**SUNDAY TIMES, 10 June 2007**

“While all entrepreneurs are self-employed, not all self-employed people are entrepreneurs. The self-employed firewood seller on the side of the road sits and waits for someone to buy a bag of firewood. The entrepreneur will visit every pizzeria, garage and restaurant in the area to sell in bulk and get contracts to supply firewood... and then think about expanding into charcoal.”

[SUNDAY TIMES, 10 June 2007]

Visit: [www.sundaytimes.co.za/careers](http://www.sundaytimes.co.za/careers) for the complete article



In his article, Martin Feinstein included a simple “EG test” that will allow you to measure how entrepreneurial you are. He focussed on the following aspects:

➤ **Ability to maintain focus**

Entrepreneurs will be able to say “no” to activities that take their mind off their business. They stay focussed on the things that are important for their business.

➤ **Energy levels**

Having your own business and making a success of it takes a lot of hard work and high energy levels.

➤ **Meeting a real need**

Entrepreneurs need to rate their product or service in terms of satisfaction of needs. They need to ask: Is this product/service in demand?

➤ **Self-belief**

Entrepreneurs need to be confident and believe in themselves. If they feel insecure, it will make it difficult for other people to trust them.

➤ **Comfortable with money**

Entrepreneurs need to have “monetary confidence” and to know how to manage their funds and profits.

➤ **Persuasiveness**

Entrepreneurs need to be able to convince consumers that they are selling the best product and that consumers need their product.

➤ **Problem-solving**

Changes in the business environment often lead to uncertainties and problems. Entrepreneurs need to solve these problems with confidence and accuracy.

➤ **Ability to live with anxiety**

Entrepreneurs face many worries and risks to face daily. They need to be able to cope with, and manage, these uncertainties and changes.

➤ **Knowing your stuff**

Successful entrepreneurs are able to balance technical knowledge and business skills.

➤ **Systems thinking**

Entrepreneurs need to be able to manage their business effectively. They require knowledge of different systems to allow them to do so.

**The outcome**

Rate yourself out of 10 on each aspect.

Ability to maintain focus (?/10)

- Energy levels (?/10)
- Meeting a real need (?/10)
- Self-confidence (?/10)
- Comfortable with money (?/10)
- Persuasiveness (?/10)
- Problem-solving (?/10)
- Ability to live with anxiety (?/10)





- Knowing your stuff (?/10)
- Systems thinking (?/10)

Add up your score out of 100 and round off to the nearest ten.

The results:

- ✓ 0-20: You are not an entrepreneur.
- ✓ 20-40: You are an achiever in some areas of your life, but overall you will have to work very hard on your weak areas before you can think about having your own business.
- ✓ 50-80: Your future lies somewhere between being self-employed and running a business. You have many of the qualities but need to work on certain skills if you want to achieve long-term success and growth in your business.
- ✓ 80-100: What are you waiting for? Start a business!

### **What is an entrepreneur?**

An entrepreneur is someone who has seen a need in the market and has come up with a successful way to satisfy that need.

#### **Qualities**

##### **Entrepreneurs:**

- Are prepared to take risks.
- Have confidence in their own abilities.
- Have high energy levels.
- Have a clear vision and objectives for the future.
- Are committed to being successful.
- Are able to adjust to changes in the environment.
- Have a strong desire to succeed.

## **Part 2**

### **INTRODUCTION**

A business is successful if it makes a profit. To make a profit, a business owner (entrepreneur) must determine what the success factors are for his/her business.

#### **What makes a business successful?**

The following factors have been identified as those that ensure business success:

- The business must have clear goals and objectives.
- An experienced manager/owner should manage the business.
- The business needs healthy relationships with all stakeholders (customers, suppliers and community).
- The business needs to have a healthy cash flow.
- The business needs to have a good value system (code of ethics) in place.
- The business must create a safe and healthy working environment for its employees.
- The business also needs to consider the safety of all stakeholders connected to it. (For example, not endangering the health of consumers.)



### A small retail shop (a spaza shop)

Critical success factors are unique to specific businesses. Here are some of the factors that have been identified to ensure success for a small retail shop, such as a spaza shop:

- It must offer a variety of products.
- It must provide good customer services.
- It needs to consider providing credit facilities.
- It needs to know its competitors and their businesses.
- It needs to choose the best possible location for the shop – where customers can reach them.
- It needs to be well managed at all times.

### CONCLUSION

For entrepreneurs to make a success of a business, they need to have certain special qualities and skills. They also need to be aware of the critical success factors for their particular business, and to be able to manage these effectively.

### Activity 1

Brainstorm as many entrepreneurial qualities as you can think of.

### Activity 2

The table below contains information about an investigation into the factors that influence the success of a business. Study and then analyse each factor by rating it on a scale of one to three. **(1 = will have no influence; 2 = will sometimes influence the success of a business; 3 = very important, will always influence the success of the business.)** Motivate your choice.

No.	Factor	Rating
2.1	No clearly written business plan	
2.2	An increase in the price of petrol	
2.3	The shop is located where there are very few people	
2.4	Customers may not buy on account – strictly cash purchases	
2.5	Manager doesn't know anything about the industry	
2.6	The introduction of a good-quality product by competitors	
2.7	Teachers strike for ten days	
2.8	A very expensive marketing campaign is launched	



# ANSWERS AND ASSESSMENT

## LESSON 1

### SECTION A

#### QUESTION 1

- |                         |   |
|-------------------------|---|
| 1.1 Financial function  | 1.2 Administrative function                   |
| 1.3 Production function | 1.4 Human resources function                  |
| 1.5 Purchasing function | 1.6 Information – and administrative function |
| 1.7 Marketing function  | 1.8 Public relations function                 |
| 1.9 General management  |   |

#### QUESTION 2

- 2.1 C      2.2 D      2.3 A      2.4 E      2.5 B

#### QUESTION 3

- 3.1 False, uncontrollable      3.2 True  
3.3 False, international      3.4 False, the government  
3.5 False, Black Economic Empowerment

### SECTION B

#### QUESTION 4

- 4.1 Yes. This department in a business aims to establish a mutual understanding between the business and the public (wider community, consumers, suppliers, etc). The business must be transparent about its general dealings with the public, because it depends on the public for its survival and growth.
- 4.2 Micro environment: the internal environment, within which the business carries on its activities.  
Macro environment: the external environment; factors which the business does not have control over. The business can only adjust to changes in the external environment.
- 4.3 A business that provides a specific medical aid for standardised treatment of HIV-related diseases and anti-retroviral medication.
- 4.4 A product used as a poison to kill predatory animals. The product degrades into the environment and can also kill smaller, non-targeted animals.
- 4.5 Yes. If the management of a business wants to be sure of influencing the market, they need to focus on factors that are important for their customers: cultural issues, social issues, personal factors and psychological factors.



## LESSON 2

### Activity 1

1. A                      2. D                      3. C

### Activity 2

1. B                      2. A                      3. G                      4. C  
5. D                      6. E                      7. F

### Activity 3

1. True                      2. False                      3. True  
4. True                      5. False

## LESSON 3

### Activity 1

- 1.1 A vision                      1.2 On time  
1.3 Marketing department                      1.4 Socio-cultural factors  
1.5 Trade unions

### Activity 2

- 2.1 D                      2.2 C                      2.3 A  
2.4 B                      2.5 E

### Activity 3

- 3.1 The **macro environment** is the **external environment** that influences the business directly and cannot be controlled by the business.  
3.2 The study of the country's population by age, gender, income earned, occupation and religion.  
3.3 Globalisation implies that because of the continual introduction of new advances in technology all people live in a world that is becoming smaller.  
3.4 A monopoly is a business which is the only supplier of a specific product.  
3.5 Legislation is all the rules and laws drawn up by a country's government.  
3.6 A merger occurs when two or more businesses combine/merge to form a new business.  
3.7 An alliance is when one business undertakes a new venture with another business.

### Activity 4

Social responsibility is the responsibility a business has to protect and enhance the social environment in which it functions. A business should be socially responsible because this not only benefits society but also itself. Therefore, a business not only ensures its own future but also helps society in general.



## Activity 5

### CONTROL OVER MACRO – ENVIRONMENT

#### A THE TECHNOLOGICAL ENVIRONMENT

- 1 Businesses have the least influence over this environment.
- 2 Businesses are affected by technology in many different ways and cannot ignore the influences.
- 3 It is impossible for a single business to control or influence the technological environment.
- 4 This environment develops too fast for any business to do that.

#### B THE ECONOMIC ENVIRONMENT

- 1 Parties who are involved in using scarce resources to satisfy the unlimited needs of consumers.
- 2 In a economic system, e.g. free market system, economic factors like incomes, prices, savings and investments play a role as they influence the amount of money consumers will have available for spending on goods and services.
- 3 Businesses have the least influence over this environment.

#### C SOCIAL ENVIRONMENT

- 1 The social environment includes religion, population, nationality, family structure, geographical distribution, per capita income, economically active people, etc.
- 2 A business cannot control the social environment nationwide.
- 3 As far as characteristics like per capita income, unemployment, literacy and level of education are concerned, a single business may control it via its social responsibility and skills development programmes.

#### D POLITICAL ENVIRONMENT

- 1 It consists of the government, all national government departments, provincial and local authorities.
- 2 The government can influence the entire business environment by means of the annual budget, taxation, promotion of exports, etc.
- 3 The government regulates businesses by passing and enforcing laws.
- 4 In the free-market economic system businesses are free to operate within these laws, but government will intervene in case the free-Market system is undermined.
- 5 An individual business cannot control the central, provincial and local government.
- 6 When businesses combine forces and form institutes to lobby for their interests, they may influence the political environment.

#### E PHYSICAL ENVIRONMENT

- 1 Is made up of the infrastructure, e.g. roads, railroads, dams, bridges, etc.
- 2 Is also made up of scarce natural resources e.g. raw materials, water, energy, etc.



- 3 A business may control part of the physical environment if it owns the resources and a small fraction of their own infrastructure.

Most of the natural resources and infrastructure are not owned by individual businesses and therefore are not controlled by individual businesses.

#### ADAPT TO THE CHALLENGES OF MARKET ENVIRONMENT

##### SUPPLIERS

- 1 Availability of raw materials, trading stock and services.
- 2 Availability of capital to the business.
- 3 Businesses have to obtain products of the right quantity, required quality, at the right price and place to achieve their objectives.
- 4 Availability of specialised labour to the business.

##### CONSUMERS

- 1 The challenge for the business is to understand the general behaviour patterns of its consumers.
- 2 Change in incomes.
- 3 Change in tastes and habits.
- 4 Change in roles e.g. females as income earners leads to increasing demand for fast food.

##### INTERMEDIARIES

- 1 Expansion of spaza shops and other kinds of retailers increase competition.
- 2 Large retailers use no name-brands, affecting the established brands.
- 3 Extended shopping hours leading a change in consumption patterns.
- 4 New trends at big shopping centre.

##### COMPETITORS

- 1 Reputation of competitors.
- 2 Competition keeps excessive profits in check.
- 3 New entrants into the market.
- 4 The result of competition is that it stimulates higher productivity.
- 5 Additional services of competitors e.g. free deliveries etc.

## LESSON 4

### Activity 1

- a) HIV is a virus that can lead to full-blown AIDS. If the infection leads to full-blown AIDS, the infected person may die.
- b) Inflation is the general increase in the average prices of goods and services over a certain period. (A drop in the buying power of consumers.)
- c) People are living in poverty when they do not have access to basic products and services, e.g. houses, health and water.



### Activity 2

- a) Unskilled
- b) Less
- c) Increase
- d) Demographic issues
- e) Poverty

### Activity 3

- a) False
- b) False
- c) True
- d) False
- e) True

### Activity 4

- a) An increase in South Africa's population size because of an increase of immigrants.
- b) The Jewish community does not eat/use any pork meat/products.  
Children in a family who influence their parents to buy certain products

## LESSON 5

### Activity 1

- 1.1 The primary sector is involved with the extraction of raw material from the natural environment.
- 1.2 Agriculture  
Mining  
Forestry and fishery
- 1.3 Provides food and minerals  
Trains workers and creates job opportunities  
Source of state income

### Activity 2

- 2.1 The secondary sectors involve all the activities by which natural resources are processed and made into products that are suitable for use by consumers.
- 2.2 Manufacturing  
Construction  
Electricity, gas and power supply
- 2.3 Creates jobs.

### Activity 3

- 3.1 The tertiary sector distributes goods to consumers. It also provides services, i.e. commercial and professional services.
- 3.2 Commercial services  
Transport services  
Storage services  
Banking services



3.3 Creates a market for consumer products.

Source of income for the state because businesses pay tax.

Creates jobs.

## LESSON 6

### Activity 1

Some examples:

- Raymond Ackerman (Pick 'n Pay)
- Paul Simon (YDE)
- Eric Parker ( Nandos)
- Tokyo Sexwale (Mvelaphanda)

### Activity 2.1

- a) False            b) False            c) True            d) False  
e) True            f) False            g) False            h) True  
i) True            j) True

### Activity 2.2

- a) Small businesses (which belong to entrepreneurs) create far more jobs in the economy than big companies. In South Africa, the small business sector created almost 1,7 million jobs between 1996 and 2001.
- b) Entrepreneurs create competition. A new entrepreneur will challenge those businesses that are already in the market. Entrepreneurs with new ideas and products will present a challenge to other existing businesses in terms of the quality and prices of their products and services.

## LESSON 7

### Activity 1

Business plans vary from business to business. Compile a business plan according to any format you prefer (that is suitable for your particular business) or with which you feel comfortable.

Use the following table to check if you have included important information in your business plan.

#### BUSINESS PLAN

Components	Yes	No	Does not apply to my business
1. A professional cover page			
2. Contents page			
3. Summary of objectives of the business			
3. A description of your business venture			
6. A plan for all the different functions within your business			
7. Contingency plan			
8. A positive and motivational conclusion			
9. Appendices (all references, CVs, etc)			





## Activity 2

Use the following table to check whether you have included important information in your action plan.

### ACTION PLAN

Components	Yes	No
1. Activities to be completed		
2. A list of people to complete the tasks		
3. A list of resources required		
4. Deadlines		

## LESSON 8

### Activity

Your plan must include the following aspects:

- A list of possible ideas.
- All the funds you will need and where you can raise these funds.
- Where and when you will purchase all the goods you will need as well as those you might need to borrow.
- Each group member's responsibilities.
- The production and preparation of the products (e.g. food, toys, etc) you plan to sell on the market day.

Assessment of the assignment can be marked using the following rubric/grid:

CRITERIA	7	6 - 5	4 - 3	2 - 1
The ability to apply knowledge practically: Was the learner able to apply /transform knowledge into an action plan. illustrate by example	The learners were able to take the knowledge learned, i.e. project planning, and successfully apply it to a real-life business venture, i.e. market day	The learners were able to take the knowledge learned, i.e. project planning, and apply it with some effect to a real-life business venture, i.e. market day	The learners were able to take the knowledge learned, i.e. project planning, and adequately apply it to a real-life business venture, i.e. market day	The learners were not able to take the knowledge learned, i.e. project planning, and apply it to a real-life business venture, i.e. market day
The ability to work as a team: Were the learners able to work effectively as a team?	The learners completed tasks with a positive attitude, roles were defined according to skills and competencies, and all members contributed towards the process (planning and organising and on the actual day	The learners completed tasks with a positive attitude, roles were defined according to skills and competencies, and most members contributed towards the process (planning and organising and on the actual day	The learners completed tasks with a positive attitude, roles were defined but not always according to skills and competencies of individuals, and not all members contributed towards the process (planning and organising and on the actual day	The learners were not able to complete tasks due to disagreement regarding roles, the skills and competencies required for the tasks. Poor understanding of the process (planning and organising) was evident on the actual day



The ability to problem-solve: Were learners able to anticipate problems and solve them?	The learners were able to identify potential problems and plan accordingly, e.g. they anticipated bad weather and provided adequate shelter for their stall. This was evident on the actual day (market day)	The learners were able to identify most potential problems and plan accordingly. This was evident on the actual day (market day), e.g. they anticipated that due to the World Cup cricket attendance would be low and bought stock accordingly	The learners were not always able to identify potential problems and plan accordingly. This was evident on the actual day (market day), e.g. they prepared too much food in advance and did not sell it all	The learners were not able to identify potential problems and plan accordingly. This was evident on the actual day (market day), e.g. a lot of food was wasted
The ability to time manage: Were the learners able to manage their time effectively?	The learners' planning was done early and their products were produced and prepared well in advance of the actual day	The learners' planning was done timeously and their products were produced and prepared well in advance of the actual day	The learners' planning was adequate and their products were still in production up to the actual day	The learners' planning was not done timeously and their products were not completed in advance of the actual day

## LESSON 9

### Activity 1

- 1.1. c                      1.2 g                      1.3 h                      1.4 e  
1.5 a                      1.6 B                      1.7 F                      1.8 d

2. Answers will vary according to the franchise of choice.

### Activity 2

- A. True                      B. True                      C. False  
D. False                      E. False

### Activity 3

Advantages	Disadvantages
Companies that need to use the asset once do not have to buy it, they can lease it. Their capital expenditure is minimised.	The cost of leasing can sometimes be lower than that of buying the asset.
Money is saved on repairs and servicing of the asset, because these are expenses of the lessor.	The items remain the property of the lessor, but money is paid out.
The lessor replaces the assets after two or three years, and the very latest in machinery and technology is available to the lessee.	Lease agreements cannot be cancelled.



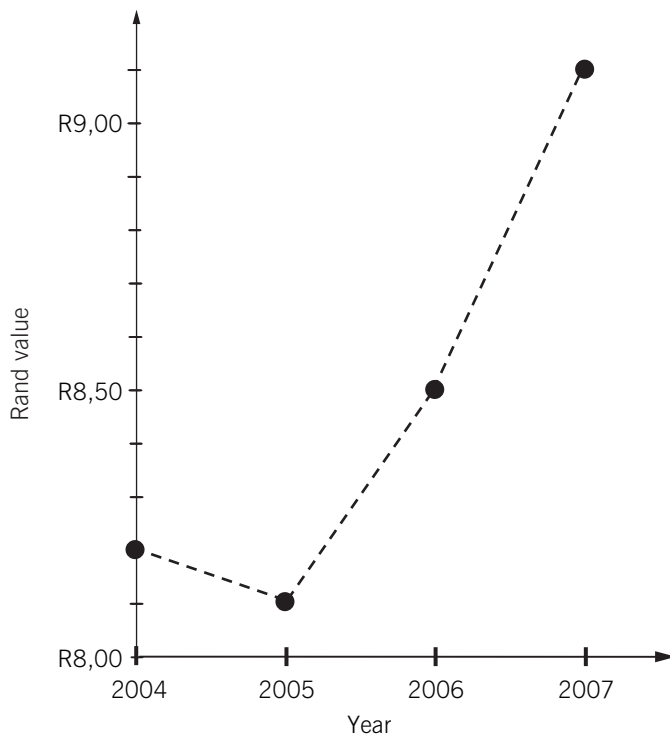
## LESSON 10

### Activity 1

- Business-related information is information that the entrepreneur needs to present to various stakeholders to enable them to make certain decisions.
- The entrepreneur can either obtain it by using old information (statistics) or by doing research and gathering new, up-to-date information from a variety of surveys.

3. Data – raw information that is not ready for use.  
Information – processed data that is ready to be used in making business decisions.
4. The planning, preparation and actual delivery of the presentation.
5. One should be prepared to provide good feedback to the audience and be able to answer potential questions in the best possible manner.
6. One should respond in a proactive manner, because this means you are well prepared, acting confidently and will avoid stirring up conflict with members in the audience.

### Activity 2: A line graph



## LESSON 11

### Activity 1

- 1.1 For a sole trader, unlimited liability means that the owner of the business has full responsibility for all the debts of the business. The owner can lose his or her personal belongings if the business is liquidated.
- 1.2 The business has to pay tax. The amount of tax payable is calculated on the profits made and added to the owner's other personal income.
- 1.3 The lifespan of a sole proprietorship is determined by the willingness of the sole trader to continue doing business or by the lifespan of the sole trader, i.e. if the owner dies, the business ceases.

### Activity 2

- 2.1.1 Partners are liable in their individual capacity.
- 2.1.2 An agreement between the partners that can be verbal or written. The agreement will include, inter alia, the name of the business, the profit-sharing ratio, etc.



- 2.1.3 Partners are liable in their capacity as a group.
- 2.1.4 Partners who contribute capital to the business but who do not take part in managerial decisions.
- 2.1.5 A business is liquidated if its liabilities exceed its assets. In this case, the business is forced to sell its assets to pay debts.
- 3.1 > More than one person contributes capital.
  - 3.1.1 > The workload is divided among the partners.
    - > Losses are shared.
- 3.2 > Name of the business
  - > Full names of the partners
  - > Purpose/nature of the business
  - > Which partners will manage the business?
  - > In what ratio will profits and losses be shared?
- 2.2.2 Yes, because a partnership has more partners, which means more capital. With more capital, businesses can increase production. The partners' expertise is shared, which means there are more chances to increase production because ideas are shared.

#### Activity 4

- 3.1 > The founding statement sets out the guidelines under which the close corporation must operate.
  - > An association agreement sets out each members' duties and responsibilities.
- 3.2 CK1: The founding statement of the CC  
 CK7: To reserve a name for the CC  
 The CC's accountant's original letter of appointment with a signature
- 3.3

Form of ownership	Owners	Liability of owners	Continuity	Taxation	Number of shareholders
<b>Sole Proprietorship</b>	Sole trader	Unlimited liability	No continuity	Taxed on profits made	1-10
<b>Partnership</b>	Partners	Unlimited liability	Continuity is uncertain	Not subject	2-20
<b>Close Corporation</b>	Members	Limited liability	Has continuity	Profits of the CC are taxed at a fixed rate	1-10

- 3.4 Close corporations are not listed on the stock exchange. They do not sell shares to the public, therefore they are not required to publish income statements.

## LESSON 12

### Activity 1

	PRIVATE COMPANY	PUBLIC COMPANY
The name	Name must end in (Pty) Ltd	Name must end in Ltd



Shareholders	1 – 50	7 – unlimited
Restrictions	Specific restrictions in Articles of Association	No restrictions
Tax	Company tax at a fixed rate	Company tax at a fixed rate

### Activity 2

1.1 20 000 shares × R2,00 per share = R40 000 total authorised share capital

1.2 10 000 shares × R2,50 per share = R25 000 total issued share capital

1.3 200 000 shares × R4,00 per share = R800 000 total issued share capital

## LESSON 13

### Activity 1

The answers will vary from learner to learner.

Marks can be allocated according to the following scale.

Level 7	Level 6	Level 5	Level 4	Level 3	Level 2	Level 1
Outstanding 80-100%	Meritorious 70-79%	Substantial 60-69%	Adequate 50-59%	Moderate 40-49%	Elementary 30-39%	Not achieved 0-29%

### Activity 2

The following rubric can be used to assess the learners.

Criteria	Excellent	Very good	Good	Average	Poor	Very weak
Presentation	5	4	3	2	1	0
The learner is able to present more than one solution for the identified problem	5	4	3	2	1	0
The learner has used one of the problem-solving techniques effectively	5	4	3	2	1	0
The learner has been able to come up with an original and unusual solution	5	4	3	2	1	0
TOTAL:						

### Activity 3

APPLY CREATIVE THINKING SKILLS TO SOLVE PROBLEMS

STEPS IN PROBLEM SOLVING

1. Defining the problem (collect facts that will help you understand the problem.)
2. Ask why the problem occurred.
3. Developing possible solutions for the problem at hand. (complex problem solving techniques can be used, e.g. brainstorming, Delphi technique, etc.)
4. Evaluating possible alternatives. (separate facts into manageable portions)
5. Selecting a specific alternative.



Rubric to be used for assessing the open-ended question:

CRITERIA	LEVEL 1 (1 mark)	LEVEL 2 (2 marks)	LEVEL 3 (3 marks)	LEVEL 4 (4 marks)
1. Describe the problem: 1.1 Constraints regarding the cash flow problems.	No description of the problem.  (1)	Mention some general things.  (2)	Demonstrates understanding of the problem.  (3)	Demonstrates significant understanding of the real problem.  (4)
2. Generate different solutions 2.1 Appoint a financial officer. 2.2 Downsizing the excess personnel. 2.3 No need for new premises. 2.4 No need for designer coffee cups. 2.5 Cindy must be involved in decision-making.	No possible solutions provided.	Only one fake solution is provided.	Only a few possible solutions are provided.	Very good, applicable and practical solutions are provided.
3. The solution(s) is creative and innovative.	No creativity.	Little creativity.	Demonstrates the ability to be creative.	Demonstrates a significant ability to be creative.  (4)
4. The specific alternative is relevant and applicable: Cindy must be involved in the decision-making.	No solution is provided.	The provided solution is not relevant or applicable.	The provided solution may be relevant.	Demonstrates a significant ability to provide a relevant and applicable solution.  (4)
5. More complex problem solving techniques are used.	Draws no conclusion on when to use complex problem solving techniques.	Mention is been made of possible complex problem solving techniques.	Demonstrates the ability to apply complex problem solving techniques. Draws a conclusion on when to use these techniques.	Demonstrates a significant ability to apply problem solving techniques.  (4)

## LESSON 14

### Activity

- Yes. The personal use of anything belonging to the company without permission from the manager/owner is wrong. It can be seen as a form of theft because one misuses the assets and belongings of the company.
- Yes, this is an ethical dilemma. The dilemma is whether it is ethical and correct for the manager to monitor the employee's work without his or her permission. On the other hand, it is wrong for the IT specialist to misuse the company's computer network.
- Yes – The worker must be informed about the monitoring process. **OR**  
No – The manager needs to confirm this by monitoring the work of the employee and it will not be possible to ask the employee about it because he might not admit to it.
- Possible solutions:
  - Communicate a clear policy about using computers and the network for private use to all employees. (Let all employees sign an agreement that they accept this policy.)



- Inform employees that their work and their use of computers will be monitored. (They must sign an agreement that they were informed about this and that they approve of it.)
- Confront the IT specialist directly and discuss the problem with him/her. If he/she is guilty, give him/her a written warning or take other corrective measures that the managers/owners agree on.

## LESSON 15

### Activity 1

- 1 Retrenchment
- 2 Affirmative action
- 3 Mergers
- 4 Restructuring

### Activity 2

- 1 Affirmative action
- 2 Retrenchment
- 3 Crisis
- 4 Stress

### Activity 3

Positive stress

It is healthy and necessary to move through life with passion and purpose. This kind of stress motivates you to perform well in everything that you do.

Negative stress

It is harmful stress that results from not being able to cope with pressure.

*Learners will have different examples for each of the above.*

## LESSON 16

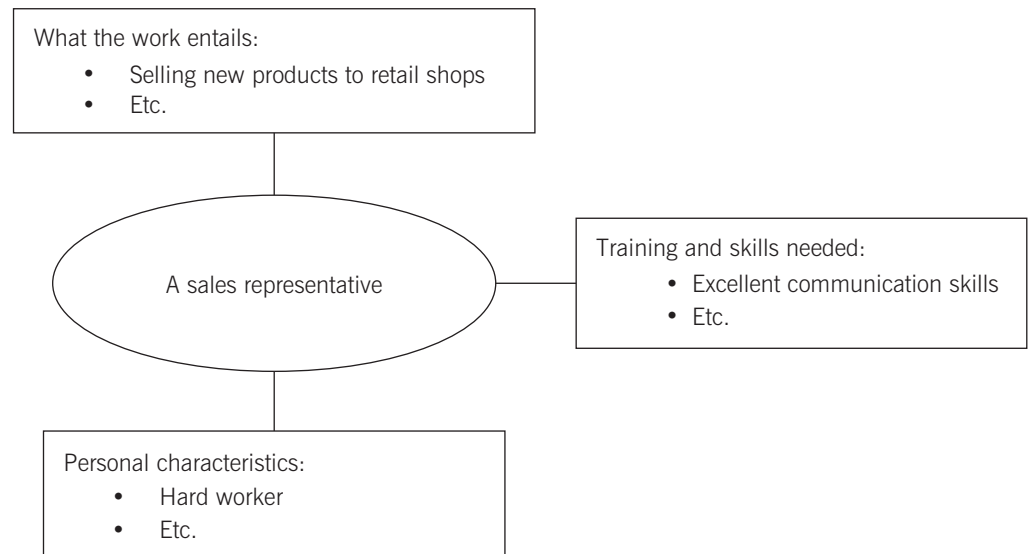
### Activity 1

- 1.1 False – It is a difficult and an ongoing process.
- 1.2 False – A counsellor can only give you advice. You need to choose your own career by considering your own values, personality and preferences.
- 1.3 True
- 1.4 False – Someone can learn/be trained to do that.
- 1.5 False – People often change careers late in life.



## Activity 2

An example of a mind map:



## Lesson 17

### Activity 1

#### 1.1. Forming

Storming

Norming

Performing

1.2. When working as a team, it is difficult to avoid conflict because team members come from different backgrounds, have different ideas, are from different schools of thought, etc.

1.3. Differences of opinion cause conflict.

2.

#### > **Autocratic**

One person, the team leader, makes the overall decision. This is often done when there is no time to review the other members' inputs.

#### > **Consultative**

Other people's opinions are considered and then a decision will be made by the team leader based on those opinions.

#### > **Demonstrative**

Various options are considered, but the final decision will be made based on the vote of the team members. In this case, the majority rules.

#### > **Consensus**

Everyone's opinion is welcome. The team members will have to discuss the various options and come up with a single solution.





## LESSON 18

### Activity 1

- 1.1 Citizenship refers to an individual's rights and responsibilities that he/she has as a citizen of the country.
- 1.2 A business has a responsibility towards uplifting the community and towards the social and economic development of the country. Examples will be if a business is involved with projects such as educational and housing projects.
- 1.3 Business ethics is the study of how businesses make certain decisions and take certain actions which are morally acceptable and correct.

### Activity 2

INITIATIVES WHICH IMPACT ON THE WORKPLACE	INITIATIVES WHICH IMPACT ON THE ENVIRONMENT	INITIATIVES WHICH IMPACT ON THE COMMUNITY	INITIATIVES WHICH IMPACT ON THE MARKETPLACE
Educational development of staff	A more effective waste control policy	Funding school's sport day	Adopting a new code of ethics regarding sound competition
New safety regulations in the workplace		Sponsoring a cultural event	
		Creation of new jobs	

## LESSON 19

### Activity 1

- |                             |                              |
|-----------------------------|------------------------------|
| 1.1 Financial manager       | 1.2 Public Relations manager |
| 1.3 Purchasing manager      | 1.4 Administration officer   |
| 1.5 Marketing manager       | 1.6 General manager          |
| 1.7 Human Resources manager | 1.8 Production manager       |

### Activity 2

- 2.1 Top level management      CEO, Managing Director  
 Middle management      The functional area managers  
 Lower management      Foreman, sales manager, etc
- 2.2 – Long-term decisions are strategic decisions made by the top-level managers. They are concerned with setting up the overall goal or purpose of the business, i.e. what the business wants to achieve.
  - Medium-term decisions are made by the middle managers. They have to develop a plan for implementing the decisions made by the top managers.
  - Lower management make the short-term decisions, i.e. the day-to-day plans.
- 2.3 Vision and strategy  
 Inspiration  
 Co-ordination



- 2.4 2.4.1 Planning
- 2.4.2 Organising
- 2.4.3 Activating
- 2.4.4 Control

## LESSON 20

### Activity 1

- 1.1 D
- 1.2 C
- 1.3 A
- 1.4 E
- 1.5 B

### Activity 2

- 2.1 Data is useless raw information and information is useful processed data.
  - 2.2 Information technology and communication.
  - 2.3 Computers store large amounts of important data and also process large amounts of data into useful information.
  - 2.4 A) Word processing for presenting documents
  - B) Power Point for preparing presentations
  - C) Accounting packages for preparing financial statements
  - D) Spreadsheets for complicated calculations
  - E) Office communication through e-mails
  - F) Databases for the safekeeping of suppliers' information
  - G) Project management packages for the monitoring and planning of projects
- [Any three.]

## LESSON 21

### Activity 1

- 1.1 The financial manager is responsible for all the financial activities of the business. Management must plan, organise, co-ordinate, delegate and control all the financial activities.
- 1.2 > Money market
- > Capital market
- 1.3 Borrowed capital can be in the form of long-term loans, which are debentures, mortgage and other means.
- 1.4 Capital market
 

All those institutions which provide the business with long-term finance, i.e. shares and long-term loans.

Money market

This market provides for short and medium-term finance, through, for example, bank overdrafts and trade credit.



## Activity 2

- 2.1.1 budget
- 2.1.2 long
- 2.1.3 under-capitalisation
- 2.1.4 cash budget
- 2.1.2 The length of the production cycle
  - The size of the business
  - Stages of development
- 2.2.2 Excess capital may be used to expand the business. If not, then it may be invested so that the business can earn interest.

## LESSON 22

### Activity 1

- 1.1 Customer-relations marketing is used by businesses to build long-term relations with consumers to ensure that they stay loyal to their products.
- 1.2 Club cards, Voyager miles
- 1.3 New small businesses do not always have the capital (money) to launch large, expensive marketing campaigns, so they resort to guerrilla marketing because it is a more informal and much cheaper option.
- 1.4 The marketing department needs to do marketing research to keep up to date with changes in consumer needs, preferences and buying behaviour.
- 1.5 The marketing mix consists of the Four Ps: Product, Price, Place (distribution) and Promotion (marketing communication).

### Activity 2

The mind map must include the following points:

A marketing strategy

- Step 1: Segmentation
- Step 2: Targeting
- Step 3: Positioning

### Market segmentation

- What type of market are they in?
- The type of consumers they are targeting
- The segmentation matrix

### Targeting

- Is the identified segment easy to reach?
- Is there opportunity for growth in this segment?
- Will this segment be profitable?
- How much competition is there currently in the overall market?



## Positioning

- Determining what the USP (unique selling point) or “value proposition” of the product is.
- What perceptions do consumers have about the business and product?
- How does this product compare with other products in the market?

## LESSON 23

### Activity 1

The learner is able to identify the product ranges (5)	The learner is able to identify the product range but has included some pictures which are not part of the product range (4)	The learner confuses the product range with product lines and items (2)
The learner is able to identify the product lines (5)	The learner is able to identify the product lines but has included some pictures which are not part of the product line (4)	The learner confuses the product lines with product ranges and items (2)
The learner is able to identify the product item (5)	The learner is able to identify product items but has included some pictures which are not product items (4)	The learner confuses the product item with product ranges and lines (2)

### Activity 2

- Develop ideas
- Select ideas
- Develop the product concept
- Analyse profitability
- Design and test the actual product
- Standardise and grade
- Test the market
- Commercialise the product

### Activity 3

FOUR FACTORS THAT MAKES FOREIGN MARKETING MORE CHALLENGING THAN MARKETING WITHIN SOUTH AFRICA.

- International trade agreements to regulated imports and exports, e.g. World Trade Organisation (WTO).
- Foreign cultures.
- Preferences and needs of customers in foreign countries.
- Foreign laws.
- Foreign languages.
- Customs tariffs that must be paid on imports and exports.
- Logistical arrangements, e.g. transport and delivery.
- Foreign currencies and fluctuations in the exchange rate.



- Fluctuations in the exchange rate of the Rand.
- Strict quality and safety requirements in some foreign countries.
- Expenses of establishing an export division or the use of a foreign agent.

### 3.1.1 Specialty packaging

This packaging is used to capture the personality of a product and the potential consumer, e.g. perfume bottles are made to look fancy and have different shapes to communicate a specific personality.

### 3.1.2 Reusable packaging

This type of packaging can be used over and over again, e.g. ice cream containers can be used for freezer storage, to store sugar, etc.

### 3.1.3 Multiple packaging

Two related products are packed together, e.g. hair shampoo and hair conditioner.

### 3.1.4 Kaleidoscope packaging

This type of packaging is used to take advantage of current affairs, e.g. Coca-Cola uses its cold drink cans to advertise the Christmas season or sporting events. Cans display pictures of Christmas trees, Santa Clause, sporting heroes, etc.

### 3.1.5 Packaging for immediate use

This type of packaging makes it is easy for consumers to open and use the contents immediately, e.g. sweet wrappings, crisp packets and cold drink cans.

## LESSON 24

### Activity 1

- |                            |                                     |
|----------------------------|-------------------------------------|
| 1.1 FALSE, value           | 1.2 FALSE, production/manufacturing |
| 1.3 FALSE, price           | 1.4 FALSE, expensive                |
| 1.5 FALSE, essential/basic |                                     |

### Activity 2

- |                         |                      |
|-------------------------|----------------------|
| 1.1 Economic pricing    | 1.2 Premium pricing  |
| 1.3 Penetration pricing | 1.4 Economic pricing |
| 1.5 Price skimming      |                      |

## LESSON 25

### Activity 1

- 1.1 Marketing communication, otherwise know as promotion, includes all the activities in a business which will:
- Inform consumers about a business's products available on the market.
  - Persuade consumers to buy the product.



- If the business is already selling the product, promotion reminds consumers about the product.
- Lower costs for the business, because the more units a manufacturer sells reduces the cost of producing each unit.

## 1.2 Sales promotion

Personal selling

Publicity

Advertising

### 1.3 1.3.1 The advertisement must:

- Draw audience Attention.
- Arouse audience Interest.
- Consumers must have the Desire to own the product.
- Lead to the Action of buying the product.

### 1.3.2 Consumer will identify with trademarks or brands with which they are familiar.

Consumers associate brands and trademarks with certain values.

## Activity 2

### 2.1 Learners must indicate how they determined their target market.

Learners must be able to justify the types of advertising media they choose for their campaign.

## Activity 3

### FOUR DIFFERENT FORMS OR TYPES OF PACKAGING

- Kaleidoscope packaging – certain aspects of the packaging are changed regularly, e.g. changing breakfast cereal packaging or collector photos or other images are printed on the packaging.
- Speciality packaging. Creates an image of exclusiveness for the product e.g. Unique perfumes, jewellery, etc.
- Combination (multiple) packaging. Several products that are closely related are packed in one container. For example, pencils, ruler and eraser in one container.
- Re-usable packaging. Containers can be used for other purposes. For example plastic bottles can be re-used to contain water.
- Packaging for immediate use (unit packaging or packaging for resale).

Concentrate on convenience of use. For example, cold drinks.

## Activity 4

### FOUR ADVANTAGES OF ADVERTISING FOR CONSUMERS AND MARKETERS.

Example: helps consumers to attain the highest needs satisfaction at the best possible price.

- Consumers are able to make informed buying decisions.
- Ethical advertisements serve as a protection of consumer rights.
- It highlights competitors products leading to product improvement.



- It educates consumers about the products usage.
- The consumer is already informed about the product thereby decreasing the sales person's burden.
- It leads to lower prices because of the increase in production.

## LESSON 26

### Activity 1

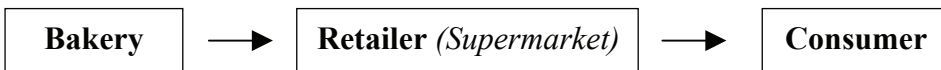
- 1.1 B and F                      1.2 C and E  
 1.3 B and E                      1.4 A and D

### Activity 2

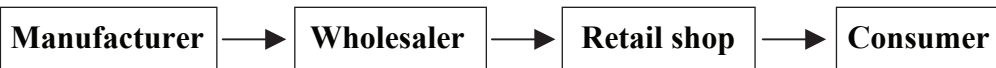
#### 2.1



#### 2.2



#### 2.3



### Activity 3

- 1.1 For 2.1:** The entrepreneur usually buys fruit from a fresh produce market (wholesaler) and then sells it to the consumer.
- 1.2 For 2.2:** The bakery manufactures the bread, sells it to retailers (supermarkets) and retailers sell it to consumers.
- 1.3 For 2.3:** The branded-clothing manufacturer produces the clothing, sells it to wholesalers, who sell it to retail shops, which sell the clothing to consumers. (If the branded-clothing manufacturer runs its own factory shop, it is possible for it to sell directly to consumers.)

## LESSON 27

### Activity 1

1. It is the transformation of raw materials into semi-finished and finished goods.
2. Capital                      Raw materials                      Labour  
 Entrepreneurship                      Technology
3. Learners should be able to demonstrate their understanding of production systems through their selection of products.

Use the following rating scale to assess learners:

G=Good A=Average P=Poor



## LESSON 28

### Activity 1

- 1.1 Quality control is a traditional approach in which the quality of products is only checked once the product has been manufactured. Quality management is a modern approach that focusses on checking for quality throughout the production process.
- 1.2 Quality management is the best approach because the business is more in control and doesn't need to waste effort and resources on making and rectifying poor quality products.
- 1.3 The International Standards Organisation.
- 1.4 The core activities of the SABS are:
  - Development of standards
  - Setting regulations in place
  - Protecting consumers against harmful practices

### Activity 2

Research: [www.sabs.co.za](http://www.sabs.co.za)

### Activity 3

EXPLAIN THE SAFETY PRECAUTIONS OR A SAFETY PLAN.

- Document the health and safety procedures and train the employees to follow it.
- Take steps to eliminate any hazard or *potential* hazard.
- Enforce any measures that may be necessary in the interests of health and safety of employees.
- Ensure that all work is performed under the general supervision of a trained person.
- Erection of strong floors, walls and roofs.
- Firefighting equipment must be efficient and maintained on a regular basis.

## LESSON 29

1. Variable cost

- a)  $10\ 000 \times R5 = R\ 50\ 000$
- b)  $20\ 000 \times R5 = R100\ 000$
- c)  $30\ 000 \times R5 = R150\ 000$
- d)  $40\ 000 \times R5 = R200\ 000$
- e)  $50\ 000 \times R5 = R250\ 000$

Fixed cost

For all units produced, fixed costs are R20 000.

Total costs

- f)  $10\ 000 \times R5\ 000 + R20\ 000 = R\ 70\ 000$

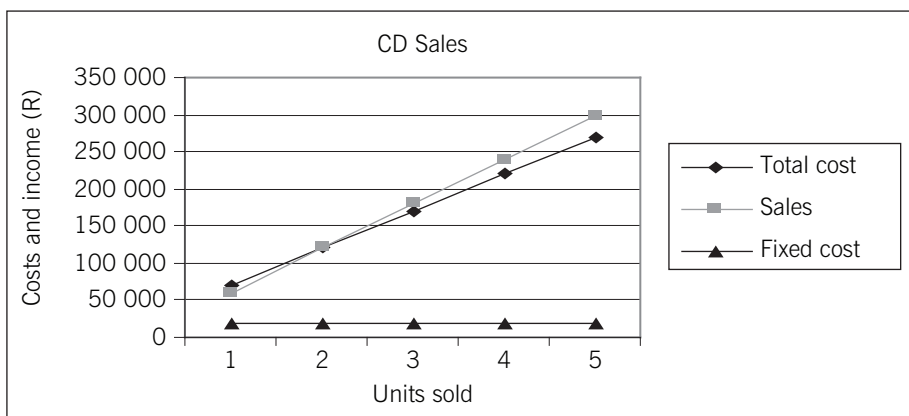




- g)  $20\ 000 \times R100\ 000 + R20\ 000 = R120\ 000$
- h)  $30\ 000 \times R150\ 000 + R20\ 000 = R170\ 000$
- i)  $40\ 000 \times R200\ 000 + R20\ 000 = R220\ 000$
- j)  $50\ 000 \times R250\ 000 + R20\ 000 = R270\ 000$

Sales

- k)  $10\ 000 \times R60 = R\ 60\ 000$
- l)  $20\ 000 \times R60 = R120\ 000$
- m)  $30\ 000 \times R60 = R180\ 000$
- n)  $40\ 000 \times R60 = R240\ 000$
- o)  $50\ 000 \times R60 = R360\ 000$



The break-even point is the point at which cost is equal to sales on the graph.

- 2. 2.2.1 20 000
- 2.2.1 a) R10 000
- b) A profit of R90 000 is made

**Activity 2**

PRODUCTION COSTS

PRIMARY COSTS

Raw materials	R40 000
Direct labour	R60 000
Primary cost	R100 000

FIXED OVERHEAD COSTS

Insurance	R8 000
Rent	R10 000
Depreciation	R4 000
Fixed overhead cost	R22 000

TOTAL PRODUCTION COSTS

Primary cost	R100 000
Fixed overhead cost	R22 000



Cleaning & Packing material (9 000 + R13 000) 22 000  
R144 000

#### COST OF ONE PRODUCT/UNIT COST

Total production cost R144 000

Number of tins of canned food 36 000

= 4

## LESSON 30

### Activity 1

- They are prepared to take risks.
- They have confidence in their own abilities.
- They have high energy levels.
- They have a clear vision and objectives for the future.
- They are committed to becoming successful.
- They are able to adjust to changes in the environment.
- They have a strong desire to succeed.

### Activity 2

- 1.1 Rate = 3. A clear business plan is essential to determine what the owner is planning to do and when.
- 1.2 Rate = 2. An increase in the petrol price might influence the success of the business if the business is, for example, a transport service. If this increase is managed well by the business owner, it will not have a negative effect on the success of the business.
- 1.3 Rate = 3. The business needs customers and therefore people should live in the area where the shop is located.
- 1.4 Rate = 2. This will not influence the success of the business negatively, because a business needs a healthy cash flow, but it might also mean that fewer customers will buy from the business.
- 1.5 Rate = 3. An experienced manager is important for the successful management of the business.
- 1.6 Rate = 2. The business needs to be aware of the competitor's strategies and be able to introduce a counter-strategy.
- 1.7 Rate = 1. This will have no immediate effect on the success of the business.
- 1.8 Rate = 1. This can benefit the business.
- Rate = 3. If this is a small business with limited financial resources, an expensive marketing campaign might have a negative effect on the success of the business.



# TIPS FOR TEACHERS

## LESSON 1

1. You can introduce this lesson by first finding out what learners already know about the business environment (baseline assessment).
2. Let learners identify the different environments which exist within a business of their choice. This will allow learners to relate the concept of business environments with practical examples.
3. In groups allow learners to discuss a variety of skills and knowledge on the topic.
4. Ask the learners to find a newspaper with job advertisements (at least five different advertisements). Ask the learners to identify which departments need personnel.

## LESSON 2

1. Baseline assessments (to find out what the learners already know about the topic) can be done first.
2. The learners also need to be given the opportunity to investigate and do research (e.g. setting a questionnaire and determining different consumers' preferences for a basic product).
3. This assignment can be marked using the following rubric/grid:

CRITERIA	7	6	5	4	3	2	1
Understanding of the topic Learners did what was expected of them							
Content Are the learners able to report on the preferences of consumers?							
Presentation Technical quality of assignment							

4. Make use of group/pair work for the research assignment.
5. Effective teaching methods and aids:
  - a) Brainstorm the different factors/variables and specific examples.
  - b) Group discussions on different variables and reporting back orally.
  - c) Collect articles from newspapers and magazines to illustrate the different variables in the macro environment.

## LESSON 3

When teaching about the macro environment, ask learners to come up with real-life scenarios about, for example, competition. ABC Stores and MVL Stores both sell similar products, but ABC Stores gives discounts to customers who buy more than one item. Encourage learners to find their own solutions to the problem, such as what they would do if they were the owners of MVL Stores.

## LESSON 4

2. This work can also be given to learners as a research project (e.g. investigate what the status of poverty is in South Africa).



3. Group work as a teaching method can also be very effective. (Each group does research on a topic/different issue and reports back to the class in the form of a formal presentation.)
4. Make use of newspaper and magazine articles (current affairs) to demonstrate the impact these issues have on the community and on businesses.
5. For good newspaper articles, see [www.businessreport.co.za](http://www.businessreport.co.za).

## LESSON 5

1. Make it clear to learners that the three sectors are independent of each other.
2. A good learning experience for learners is to visit a production plant so they can understand production procedure.
3. To make the learning more real, you could ask learners to identify activities within their own community which are part of the different sectors.

## LESSON 6

1. Baseline assessment can be done first to find out what the learners already know about the topic.
2. The learners also need to complete a worksheet/activity be assessed on content and knowledge.
3. Learners can identify an entrepreneur in their own community, question him or her and then report back to the class in a future lesson.
4. Assessment of this assignment can be done using the following rubric/grid:

CRITERIA				
The ability to investigate: Was the learner able to identify, investigate (using interviews etc. an entrepreneur in his or her community?	The learner was able to identify and investigate more than one entrepreneur in his or her community	The learner was able to identify and investigate an entrepreneur in his or her community	The learner was unable to identify an entrepreneur in his or her community but attempted to investigate an entrepreneur outside of the community.	The learner was unable to identify an entrepreneur in his or her community
The ability to understand: Does the learner understand the qualities of an entrepreneur?	The learner can accurately identify and communicate with understanding the qualities and personality traits of the individual/s	The learner was able to identify and discuss the qualities of an entrepreneur	The learner was able to list the qualities of an entrepreneur without real understanding or appreciation	The learner was unable to identify the qualities of an entrepreneur.



The ability to analyse and apply understanding: Does the learners feedback provide evidence of information collection and analysis skills?	The learner was able to gather information and then analyse it in terms of the responsibilities that business practitioners need to perform, i.e. competition control and poverty alleviation through job creation	The learner was able to analyse the responsibilities that business practitioners need to perform, i.e. competition control and poverty alleviation through job creation	The learner was able to identify the responsibilities that business practitioners need to perform, i.e. competition control and poverty alleviation through job creation	The learner was unable to analyse the responsibilities that business practitioners need to perform, i.e. competition control and poverty alleviation through job creation
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5. Effective teaching methods and aids:

- a) Group discussion on who is a successful entrepreneur and why.
- b) Debate: Entrepreneurs are born, not made.

**LESSON 7**

1. This section of work could be done when preparing for the school’s market day.
2. Let learners brainstorm ideas for their own business ventures that they will run during market day.
3. Let learners draw up a business plan and an action plan for their project.

**LESSON 8**

1. Learners must choose their own groups for the assignment.
2. Facilitate the planning process by evaluating ideas the learners may have.
3. Two to three hours must be kept aside for planning in class time.
4. Provide specific deadlines (submission 1, submission 2 and final submission or presentation).
5. This lesson could be combined with presenting business-related information in Lesson 10.

**LESSON 9**

Learners can do a research project on a franchise of their choice or divide the class into groups and give each group a specific franchise to research.

Depending on how much time is available, if your learners enjoy interacting with each other, these three lessons could be done over three separate classes.

**LESSON 10**

1. Start this section with baseline teaching to determine what concepts/content are already familiar to learners.
2. Learners can prepare their own presentations to apply information/content.
3. Make use of group work to enable learners to brainstorm their own ways of how to handle feedback.
4. Different groups can prepare different methods as posters and present these to the rest of the class. (Explaining, giving examples, etc.)
5. Exhibit all the posters where they are visible to all learners.



## LESSON 11

1. This lesson topic on forms of ownership has a lot of content. Depending on the length of your school's class periods, each form of ownership can be discussed in one period of about 30 minutes.
2. This topic has been dealt with in the previous grades so, before the introduction, baseline assessment can be used.
3. Content and knowledge should be tested by giving the learners a test at the end of the section.

## LESSON 12

1. Start this section with baseline teaching to determine which concepts/content is already familiar to learners.
2. Learners need to be able to explain the formation procedure in their own words but using the correct terms for the different documents involved.
3. Make use of a variety of examples and calculations to teach them the difference between authorised and issued capital.
4. Learners can also do a research assignment on the JSE, to be more informed about the workings and procedures involved.

## LESSON 13

1. Learners will have different answers for activity 1 parts 1.1 and 1.2. Make it clear to them that they must rate their peers' work according to the creativity of the solution they come up with for the problem identified.
2. The 7-point scale can be used as an assessment tool to allocate marks for the learners. If a learner has awarded his or her partner a mark of 4 for peer assessment no.3, you should give the learner marks rating from 40-49%.
3. The educator can develop a rubric to use for assessing the learners' ability to solve a problem (activity 2). The one used is an example and can be adjusted to suit the teacher and what the teacher wants to assess.

## LESSON 14

1. Start this section with baseline teaching to determine what concepts/content is already familiar to learners.
2. Learners need to be able to explain the concepts in their own words to ensure that they know the true meaning of all concepts.
3. Make use of a variety of examples to teach them the difference between right and wrong in the business environment. (Let them also make up their own ethical dilemmas in the business environment.)
4. Discuss the activity's answers with the class and let them compare answers.
5. This activity can also be completed in pairs.

## LESSON 15

1. Teaching in context makes it easier for the learners to understand the various concepts that we discuss in Business Studies. Use the examples around you, such as scenarios that happen in class or in the outside environment.



2. Let learners find newspaper articles that talk about changes in a business or any form of organisation. Let them discuss the changes, taking the following into consideration:
  - How the change was implemented
  - The type of change
  - How the change has affected the workers and other stakeholders.

## LESSON 16

1. Start this section with baseline teaching to determine what concepts/content is already familiar to learners.
2. Learners need to be able to do research on a variety of potential careers.
3. Make use of the knowledge and “know how” of a life orientation or guidance teacher and/or counsellor.
4. Mark the mind map of the learners using the following rubric:

	Outstanding 7	Meritorious 6	Substantial 5- 4	Moderate 3 - 2	Not achieved 1
The ability to research: Was the learner able to investigate a career within the business field?	The learner was able to investigate a business career and identify appropriate paths for future advancement as well as avenues for acquiring and/ or participating in the said business	The learner was able to investigate a business career and identify appropriate paths for future participation in the said business	The learner was able to investigate a business career and the path of study and qualification required to fulfill the said career	The learner was able to investigate a business career but was not able to clearly identify the path of study and accreditation required for said position	The learner was unable to/did not investigate a business careers nor identify appropriate paths for future advancement
Understanding and analysis: Was the learner able to understand, analyse and personalise information?	The learner was able to analyse his/her findings and graphically represent the advantages and disadvantages of the chosen career	The learner was able to analyse his/her findings and discuss the advantages and disadvantages of the chosen career	The learner was able to discuss the advantages and disadvantages of the chosen career	The learner was able to recognised the advantages and disadvantages of the chosen career but had difficulty representing this using a mind map	The learner was unable to complete the task as the research component for the task was not completed



Ability to present information graphically (mind-map): Was the learner able to present their findings graphically, i.e. using a mind map?	The learner was able to graphically describe the scope of work, the skills and training required and the personal characteristics necessary for the chosen the career. The mind map was neat and easy to read	The learner was able to graphically describe the scope of work, the skills and training required and the personal characteristics necessary for the chosen the career	The learner was able to graphically describe some aspects related to the scope of work, the skills and training required and the personal characteristics necessary for the chosen the career	The learner was able to verbally describe the scope of work, the skills and training required and the personal characteristics necessary for the chosen the career but struggled to do so graphically	A mind map was not completed
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### LESSON 17

1. This lesson can be done straight after lesson 15 (managing change, crisis and stress).
2. Let learners work in groups when doing activities so that they can relate to the topic. Refer to their groups when making examples.
3. Activity 1.2, assume the learners will answer “yes”.

### LESSON 18

1. Start this section with baseline teaching to determine which concepts/content is already familiar to learners. (To test prior knowledge.)
2. Learners need to be able to explore the concept of citizenship and to research examples of corporate citizenship in their communities. (In this way learners have the opportunity to demonstrate their understanding and knowledge of the concepts through own experiences.)
3. Learners can also investigate this assessment standard by completing a project. (E.g. visiting a business and helping them to support the community by joining them when they visit an orphanage, etc.)

### LESSON 19

1. General management was dealt with in grade 10. You may need to review it again with the learners so that they can see the importance of it and how it relates to the other functional areas.
2. Activity 2 number 2.1, other relevant answers are acceptable.
3. Remember always to include the learners in class discussions.

### LESSON 20

1. Start this section with baseline teaching to determine what concepts/content is already familiar to learners. (To test prior knowledge.)
2. Make use of articles/examples, etc, to illustrate the importance of the administration function in a business. [SEE: [www.itsmybusiness.co.za](http://www.itsmybusiness.co.za) – Article: “Preventing disaster”, 18 March 2007.]
3. Collaborate with computer applications technology educator. (Practical work on the computer.)





## LESSON 21

1. Baseline assessment may be used to determine the learners' prior knowledge on the topic, so that you can design learning experiences that build on existing knowledge.
2. To build more understanding about budgeting, let your learners compile a budget of their own income and expenses. This can be for a week or a month, whichever suits them best.

## LESSON 22

1. Start this section with baseline teaching to determine which concepts/content is already familiar to learners. (To test prior knowledge.)
2. Make use of articles/examples, etc, to illustrate the importance of the marketing function in a business. [SEE: [www.itsmybusiness.co.za](http://www.itsmybusiness.co.za) – Article: “Singing entrepreneur hits the high notes on the Net”, 23 May 2007.]
3. Use the following marking grid/rubric for activity 2.

CRITERIA	7	6	5	4	3	2	1
Understanding of the topic: Learner did what was expected							
Content: Was the learner able to summarise all the important steps?							
Technical quality: Neatness							

## LESSON 23

1. Baseline assessment may be used to determine the learner's prior knowledge on the topic, so that you can design learning experiences that build on existing knowledge.
2. Activity 1 can be done as a classroom or homework activity. If you plan it as a classroom activity, ask the learners to collect magazines, newspapers, etc, beforehand. If your school has access to the internet, learners can also use that.
3. The rubric used in activity 1 can be adjusted to suit the teacher's needs.
4. To make the lesson more interesting, collect examples of actual packaging to show the learners. In this way, they will see and understand what you are talking about. Or, after explaining the various types of packaging, you could ask learners to bring examples to class.

## LESSON 24

1. Start this section with baseline teaching to determine which concepts/content is already familiar to learners. (To test prior knowledge.)
2. Learners should give their own examples for types of markets and different price strategies.
3. Make use of articles, etc, to illustrate the importance of pricing policy as part of the marketing mix. [SEE: [www.sundaytimes.co.za](http://www.sundaytimes.co.za) – Article: “Consumers will feel the pinch of another petrol price hike” – 5 June 2007.]



## LESSON 25

1. In activity 1.3.2, learners can give any other reason for the importance of brands and trademarks to consumers. This topic is also covered by the lesson on product policy.
2. Before you do activity 2, do some revision with the learners on other elements of the marketing mix. It is important that learners understand the integration of all these elements. Remind them of what a target market is and how they must determine their own target market.

## LESSON 26

1. Start this section with baseline teaching to determine which concepts/content is already familiar to learners. (To test prior knowledge.)
2. Learners must also give their own examples of types of distribution channels for different products. (They must also be able to motivate why they chose a specific channel.) – See activities 2 and 3.
3. Make use of articles, etc, to illustrate the importance of distribution policy as part of the marketing mix. [SEE: [www.itsmybusiness.co.za](http://www.itsmybusiness.co.za) – Article: “Logistics is a moving experience” – 9 July 2006].

## LESSON 27

It is often easier for learners to understand something they can see. If possible, before you begin teaching the learners about production, organise a tour of a production plant. In this way, learners will have a better understanding. A trip to a production plant can be used to illustrate many lessons; for example, on the secondary sector, on packaging, grading, etc.

## LESSON 28

1. Start this section with baseline teaching to determine which concepts/content is already familiar to learners. (To test prior knowledge.)
2. Learners must also give their own examples of safety measures and practices that are important in a business. (They must also be able to motivate why they think these are important.)
3. Make use of articles, etc, to illustrate the importance of quality management in a business and of safety management in the workplace. [SEE: [www.itsmybusiness.co.za](http://www.itsmybusiness.co.za) – Article: “Practical productivity” – 9 July 2006.]
4. The following grid can be used to assess the learners’ research.

CRITERIA	7-6	5-4	3-2	1
The ability to research and report back: Was the learner able to research the topic and report back on it?	The learner was able to research independently the production function (e.g. quality control)	The learner was able to research and aspects of the production function (e.g. quality control)	The learner needed help researching aspects of the production function (e.g. quality control)	The learner did not complete the research



The ability to understand: Was the learner able to understand the concepts of quality control and quality management?	The learner was able to analyse the activities of the marketing function and aspects of the production function (e.g. quality control)	The learner showed some ability at being able to analyse the activities of the production function (e.g. quality control)	Was the learner was unable to analyse the task and activities of the marketing function and aspects of the production function (e.g. quality control)	No evidence was offered
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## LESSON 29

1. Ask the learners to pick an imaginary product to sell. Let them decide on the costs that will be incurred in producing this product. In doing this, learners must be able to show that they understand the difference between primary costs and overhead costs. They must also determine a selling price that will yield them a profit.
2. Allow learners to revise the unit before you give them an assessment. You should assist them where you can to identify areas of concern.

## LESSON 30

32. Start this section with baseline teaching to determine which concepts/content is already familiar to learners. (To test prior knowledge.)
33. This section can also be combined with other Learning Outcomes and Assessment Standards. For example, LO 2, AS 2 (business plan); LO 3, AS 5 (careers).
34. In Activity 1, learners can also identify other qualities that might be relevant.
35. Learners need to be able to identify other important factors for the success of the business. (Activity 2)
36. A variety of articles can be used. SEE these websites for other articles:  
[www.itsmybusiness.co.za](http://www.itsmybusiness.co.za)  
[www.sundaytimes.co.za](http://www.sundaytimes.co.za)



