education
DEPARTMENT: EDUCATION
MPUMALANGA PROVINCE

BUSINESS STUDIES

GRADE 11

TERM 2

LEARNER - BOOKLET 2025

COMPILED BY: MR ZITHA (EHLANZENI)

FROM: BARBERTON SECONDARY (BSS)

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Cell: 0790471154 / Email: zs.zitha@mail.com

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1Meaning of creative thinking

- Creative thinking refers to thinking differently and looking at something in a new way.
- Creative thinking is about approaching a thought/idea/problem/situation in a new and interesting way.
- It is a process of putting facts/concepts/principles together in new and original ways.
- Businesses need to solve their problems efficiently to find creative solutions to problems.

2Differences between routine versus creative thinking

ROUTINE THINKING	CREATIVE THINKING
• It refers to ordinary/every day/conventional thinking	• It refers to looking at an opportunity/ problem in a new and different way.
• It is suitable for work that requires logic, consistency and attention to detail.	• It is invaluable in keeping the business innovative and relevant in a changing market and to solve new problems.
• It does not lead to new ideas or pattern of thought.	• It leads to an idea that is original compared to existing ideas.
• Requires businesses to apply old thinking patterns to new situations.	• Requires businesses to apply new ways of thinking to old situations.

3 Differences between conventional versus non-conventional solutions

CONVENTIONAL SOLUTIONS	NON-CONVENTIONAL SOLUTIONS
• Ordinary and unimaginative solutions	• Different and creative solutions
• They are solutions obtained through logical, analytical problem solving methods.	• They are solutions that are obtained from creative thinking.
• There is often one solution to a problem	• There is often more than one solution to a problem
• Chooses and looks for what is right	• Changes and looks for what is different
• Concentrates on relevance	• Does not mind chance interruptions
• Moves in the most likely directions	• Explores the least likely directions

4 Ways in which businesses can create an environment that stimulate creative thinking

- Businesses must emphasise the importance of creative thinking to ensure that all staff know that their ideas will be heard.
- Encourage staff to come up with new ideas/opinions/solutions
- Encourage job swops within the organisation/studying how other businesses

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

5 Benefits/Advantages of creative thinking in the workplace
- Complex business problems may be solved.
- Creativity may lead to new inventions which improves the general standard of living.
- Better/Unique/Unconventional ideas/solutions are generated.
- May give businesses a competitive advantage if unusual/unique solutions/ ideas/strategies are implemented.
- Managers/employees have more confidence as they can live up to their full potential.
- Managers will be better leaders as they will be able to handle/manage change(s) positively and creatively
- Managers/Employees can develop a completely new outlook, which may be applied to any task(s) they may do.
- Leads to more positive attitudes as managers/employees feel that they have contributed towards problem solving/Improves motivation amongst staff members
- Managers/Employees have a feeling of great accomplishment and they will not resist/obstruct once they solved a problem/contributed towards the success of the business
- Management/Employees can keep up with fast changing technology
- Stimulates brain function of employees/managers, as they are continuously pushed out of their comfort zone/improving the total well-being of employees.

6 Meaning of problem solving
- It is a clear process to follow whenever a problem needs to be solved.
- A process of finding the correct strategy to respond to a problem.
- Problem solving involves analytical and creative skills.
- Some businesses uses the PDCA process/cycle to solve a problem.
- PDCA stand for Plan-Do-Check-Act.

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7 The Delphi technique and Force-Field analysis

7.1 Meaning of the Delphi Technique

- It is a technique that is used to solve new and complex problems.
- The Delphi technique is a popular method of gathering information by using a selected expert's panel on a specific topic.
- The group of specialists/expert's panel never meet face to face.
- This technique uses a series of questionnaire to obtain feedback from experts.
- The questionnaires are used to bring about agreement from different views.

7.2 Ways in which businesses can apply the Delphi Technique in the workplace

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

7.3 Meaning of force field analysis

- Force filed analysis is a method of listing, discussing and analysing the various forces for/advantages and against/disadvantages of a proposed change.
- It is often used for planning and implementing change in a business.
- The analysis involves identifying the advantages and disadvantages of a decision.
- This tool is especially useful to overcome resistance to change.

7.4 Ways in which businesses can apply the force field analysis

- Describe the current situation/problem and the desired situationIdentify what is going to happen if there is no action taken.
- List all driving/pros and restraining/cons forces that will support and resist change.

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- Discuss the key restraining forces and determine their strengths.
- Discuss the key driving forces and determine their strengths.
- Allocate a score to each force using a numerical scale, where 1 is weak and 5 is strong.
- Weigh up the positives and negatives then decide if the project is viable.
- Analyse the restraining forces and best way of advancing them.
- Explore the driving forces and the best way of advancing them
- Choose the force with the highest score as the solution.
- If the project is viable, find ways to increase the forces for change.
- Identify priorities and develop an action plan.

8 Advantages of working with others to solve problems

- The problem can be solved faster and easier.
- Workload decreases if everyone does their share
- More ideas can be generated increasing the chances of finding the best possible solutions.
- Exposure to other people's thinking patterns and to the way other people approach problems
- Enables team members to learn from others and accept their points of views
- Greater results can be achieved
- Team members have access to a broader bases of knowledge, skills and expertise.
- The problem is viewed from different perspectives
- There is access to a broad base of knowledge, skills and expertise
- Problems are analysed in greater detail which lead to better understanding of the problem
- Promotes creative thinking and idea generation by thinking of as many ideas as possible to solve problems.

STRESS AND CRISIS MANAGEMENT

1 Meaning of stress

- Stress is defined as a state of emotional or mental strain.
- The strain can affect memory/concentration and lowers the morale of employees.
- Stress refers to the harmful physical/emotional responses that can happen when there is conflict between job demands on the employee and the amount of control an employee has over meeting these demands.
- It is the wear and tear our bodies experience as we adjust to our changing environments

1.1 Causes of stress in the business environment

- Heavy workload/Unrealistic target
- Long working hours
- Time pressures and deadlines
- Inadequately trained subordinates
- The necessity of attending meetings

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- Work demands intruding on family and personal lif
- Keeping up to date with new technology
- Conflict with those in the business with different beliefs and values
- Taking work home
- Interpersonal relationships with colleagues
- The amount of travel required by work
- Incompetent bosses
- Bullying or harassmen
- Job insecurity
- Lack of accountability
- Lack of participation in decision-making
- Lack of finances, human resources or physical resources
- Poor working condition
- A lack of power and influence Badly designed shift systems
- Changes in job description, management, in technology or in the economy
- Confrontations and conflicts
- Inadequate training

1.2 Importance of stress management in the workplace

- If stress is not managed effectively, it can get out of control and cause staff health issues
- Stressed employees are more likely to miss work, both as a way to cope and due to health-related problems.
- Managing stress will curb absenteeism in order to maintain productivity at workplace
- Workers who suffer from stress often display poor judgement in crisis or emergency situations and this can be avoided through managing stress
- Grievances or complaints that lead to staff turnover can be addressed if stress is well-managed
- Conflict and interpersonal problems can be avoided if stress is managed at the workplace.
- Having stressed and tired employees serving the public may lead to poor service and unhappy customers and this can be corrected through management of stress
- Stressed employees are more likely to cling to the old ways of doing things by resisting change and this can be controlled through proper management of stress
- Constant stress can cause many problems for a business since it can become an unhealthy environment
- Too much stress can become a barrier to success and lowers the performance of workers.

1.3 Ways employees can manage stress in the workplace

- Develop self-awareness to recognise the signs of stress and its causes
- Create a balanced lifestyle and minimise extreme emotions
- Exercise regularly and keep fit.
- Follow a balanced die

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- Get enough sleep and relaxation
- Replace negative self-talk with positive thoughts
- Apply good time-management skills
- Set personal realistic goals and target
- Accept things one cannot change and focus on things one can contro
- Practise time management

2 Definition of crisis

- Crises is an unforeseen event that can cause major changes in an organisation
- It refers to the sudden and potentially disastrous events
- It is time of intense difficulty/ trouble/ danger.
- An event that can harm the business's stakeholders/ its property, finances / its reputation.
- Any situation that threatens people at home or work.
- Unforeseen event that can cause major changes in the organisation.

2.1 Examples of crisis in the workplace

- Loss of property due to fir
- Theft of assets and equipment
- Breakdown in machiner
- Power outage
- An accident
- Serious illnesses without replacement
- Conflic
- Supply shortage
- A sudden increase in production cost
- Unforeseen drop in revenue
- Lawsuit
- Tight deadline
- Natural disasters, e.g. earthquakes, floods, etc.

2.2 Ways businesses can deal with crisis in the workplace

- Businesses should respond appropriately and quickly to lessen the effects of the crisis situation.
- Intervene swiftly and with urgency, but without panicking or overreacting
- Identify the real nature of the crisis by making a thorough assessment of the situation and seeking expert opinion
- Assess/If the crisis happens, face up to it and quickly find out what has happened without over-reacting.
- Deal with crisis directly and timeously without trying to avoid/minimise the seriousness of the situation
- Plan/Identify and prioritise the actions required
- Inform/Provide accurate and correct information
- Support/Guide others through the situation by providing training and support
- Attempt to contain the situation to minimise further damage

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- Communicate with all stakeholders so that they are properly informed about what has happened, what the impact is and how it is being dealt with
- Appoint a spokesperson from the management team who will deal with all questions and provide information
- Regain control/Manage the situation in a calm manner until the crisis is over.
- Obtain expert advice if the crisis falls outside the business' scope of expertise
- Call for help and seek assistance/advice and support from the appropriate agencies and professional
- Arrange debriefing sessions for all those directly involved in the crisis or who have been traumatised by the event
- Evaluate how effective the emergency plan was throughout the crisis.
- Amend the emergency plan after evaluating what worked and what did not work.

3 Definition of change

- Change is a process that takes people, employees and organisation from the present to a future desired change
- New ways to get things done
- A business needs to change in order to meet changing needs of customers, improved technology and international competition.

3.1 Internal and external causes of change

3.1.1 Internal causes of change

- New business objectives or goal
- High employee turnover where many employees have to join the business
- New policies and procedures implemented in the business
- New management
- Restructurin
- Retrenchment
- New equipment

3.1.2 External causes of change

- Political factors e.g. change in government policy and international relations
- Social factors e.g. poverty/unemployment/HIV & Aids/etc.
- Legal factors e.g. the passing of new laws
- Economic factors e.g. increase in the interest rate
- Technological factors e.g. advance in production techniques and the information and communication technology (ICT) revolution.
- Market factors e.g. new firms entering the market and introducing new products.

3.2 John P Kotter's 8 steps of leading change

- Establish a sense of urgency by motivating their employees
- Form a powerful coalition/Build the guiding team by bringing together a team of influential people who will convince everyone else that change is needed
- Develop a vision and a strategy, decide what values are central to the change

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- Communicate the vision frequently and demonstrate the kind of behaviour that they want from their employees
- Empower broad based action by identifying employees who are resisting change and help them see the need for change.
- Generate/ Create short term wins and make sure their businesses taste success early in the change process
- Consolidate gains/Build on change by analysing what went right and what needs to be improved after each win
- Anchor the changes in corporate culture and this must become part of the core of their business.

3.3 Major changes that people and businesses deal with

3.3.1 Unemployment

- It is when employees lose their jobs because they are fired, or they quit their jobs
- Change can lead to unemployment due to retrenchment.
- A business may close down/sold/merge resulting to unemployment.
- Copying with unemployment is traumatic and can lead to depression.

3.3.2 Retrenchment

- Retrenchment is when a business cuts the number of workers to reduce their wages and salary bill.
- A process whereby the employer reviews its business needs to increase profits or limit losses, which leads to reducing its employees.
- Economic changes may result in many people being retrenched from their jobs.

3.3.3 Globalisation

- It is a trend where businesses are able to trade in different countries.
- Businesses must deal with and adapt to changes that globalisation brings.
- Globalisation means that many local businesses struggle to compete with bigger/stronger/experienced markets abroad.

Strategies business can use to deal with globalisation

- Adapt your approach to new operational complexities.
- Businesses should be aware of changes in the related industry
- Keep abreast of new technology/processes and developments that could give your business a competitive edge.
- Investigate overseas markets for their products
- Source overseas manufactures/materials/suppliers etc.
- Build a strategy for connecting with governments.
- Comply with international standards of quality.
- Comply with international trade laws.
- Upgrade the enterprise's information technology (IT) network to enable online purchasing.

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- Be creative in making products desirable and unique.

3.3.4 Affirmative action

- Affirmative action is a policy that ensures that qualified people from designated groups have equal opportunities in the workplace.
- The policy aims to ensure that Black South Africans, women and people with disabilities are well represented in businesses
- Workers can resent affirmative action appointments and people who have been appointed in affirmative action positions.

Strategies business can use to deal with affirmative action

- Inform employees on how affirmative action will be implemented in the business.
- Businesses must have acceptable affirmative action programmes.
- Businesses must indicate in all their job adverts that they are affirmative action employers.
- They should open themselves to new ideas and opportunities instead of sticking to the past.
- Employees need to focus on the job rather than the differences of the people in the team and how they were appointed.

3.4 Ways businesses can deal with/manage change in the workplace

- Acknowledging that change is stressful and empowering employees to cope with stress.
- Transparency in the process of change is important in building trust with employees
- Management need to ensure that it communicates with employees and keeps all informed of decisions and anticipated changes
- Do not deviate from the original plan
- Involve employees in the transformation process
- The business can manage change easily if employees have interpersonal relationships that are characterised by trust, respect and support
- Employees should increase their skills levels in order to be more competitive for positions and promotion.
- Acknowledge/Respect differences and focus on achieving the goals/objectives.

MARKETING FUNCTION

1.1 Definition of marketing

Marketing is used to deliver value to the customers and satisfying their needs.

- The aim is to link the business products and services with the customer needs and wants.
- Marketing also aims to get the right product or service to the right customer at the right place and at the right time.
- Businesses also establish a target market or maintain market share of a current product and locate the most appropriate customers through marketing activities

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1.2 The role of the marketing function

- Support the overall objectives of a business, which is to maximise profit
- The marketing team needs to work closely with staff members from other business functions
- Gather information about customer needs, preferences and buying behaviour and share information with other departments.
- Assist the development of the marketing strategy in collaboration with senior management from other business functions
- Develop a marketing plan using elements of the marketing mix.
- Develop sales forecasts and projections and provide this information to other business functions
- Decide which products or services the business will sell and how the products will be distributed
- Determine what prices (cash or credit) they are going to sell.

1.3 Marketing activities

1.3.1 Standardisation and grading

- Standardisation is the process of developing a uniform set of criteria to ensure the production of quality goods.
- Standardisation also refers to taking steps to ensure that goods produced meet the required standards.
- Grading is the process of sorting individual units of a product into specified classes or grades of quality.
- Standardisation lays down the standards or grade of quality.
- Grading is the process of classifying agricultural products into categories according to their quality.

1.3.2 Storage

- Refers to the storage of goods after have been produced, until it is consumed or dispatched to intermediaries, wholesalers or retailers
- The storage facility will be influenced by the type of goods that must be stored.
- Storage is needed as goods must be often in the warehouse until the final consumer need the goods.
- When goods are stores, they must be insured against fire/theft/damage etc.

1.3.3 Transport

- Products must be transported from storage facilities to intermediaries, wholesalers or retailers.
- The method of transport will be influenced by the type of products that must be transported.
- Transport ensures that products are moved from the producer to the consumer.

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1.3.4 Financing

- Capital is used to meet the financial needs of businesses involved in the various marketing activities.
- Finance is required to achieve the marketing objectives e.g. the marketing function must take into account the cost of advertising.
- Financing in the form of cash, credit or loans is needed to bridge the gap from when the product is completed to when the customer pays for it.

1.3.5 Risk-bearing

- The business enterprise carries the risks involved with owning the goods.
- There is a possibility that products can be damaged /stolen/outdated which may result in financial losses.
- The factory or the warehouse can, for example, catch fire, goods can be stolen or goods can perish.

1.3.6 Buying and selling

- Buying and selling are concerned with the exchange process.
- The buying function deals with searching for customers.
- The selling function deals with promoting the product.
- Some businesses need to buy raw materials in order to manufacture the final products, while some businesses buy and sell goods and services.

2 The components of the marketing mix

- The are four components of the marketing mix namely;
- Product policy
- Pricing policy
- Distribution policy
- Communication policy

2.1 The product policy

2.1.1 Meaning of the product policy

- The product policy is the first component of the marketing function
- The product is the main component of the marketing mix e.g. when there is no product, there is no business.
- This policy explains how a business is going to develop a new product, design and package.
- The product policy deals with the features, appearance and the benefits of the product itself.

2.2 Types of products

Industrial goods

- Industrial goods are used in the manufacturing process to produce other goods e.g. spare parts/equipment/machinery etc.

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Consumer goods

- These are goods that satisfy the needs of consumers.

2.2 Categories of consumer goods/products

2.2.1 Convenience goods

- These are low priced goods purchased by consumers without much thought.
- Consumers are not willing to spend much effort on buying convenience goods because they differ very little in terms of price, quality and the satisfaction it provides to consumers.
- Example of convenience goods: bread, milk, soft drink, etc.

2.2.2 Shopping goods

- These goods are more expensive than convenience goods.
- Consumers do not buy them very regularly.
- They are prepared to spend a considerable amount of time and energy going to various shops until they are sure that they are getting the best value for their money.
- Examples of shopping goods; television, motor vehicles, clothing, etc.

2.2.3 Speciality goods

- These goods usually have specific brand names.
- Consumers know exactly what they want and are willing to search until they find exactly what they are looking for.
- Examples of speciality good; jewellery, branded clothing, etc.

2.2.4 Services

- Services are not tangible.
- Services are rendered by service providers to consumers.
- Example of services, garden service, etc.

2.2.4 Unsought goods

- Goods that consumers do not know think of until the need of such products appear.

2.3 Importance of product development

3 Product design needs to be designed to suit the needs of the customers.

4 If the product design does not suit the target market, there will be very little demand for the product.

5 Business need to develop new products in order to replace older products in stage 4 when the sale declines.

6 Businesses are able to remain competitive because they are always on a lookout for ways to improve their products.

7 Products become different from those of the competitors.

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2.4 Steps/Stages of product design

- Idea generation/ Design and development of product ideas
- Selecting and sifting of product ideas/ Idea screening.
- Concept development and testing/Design and testing of the product concept which should happen before a product is developed.
- Analysis of the profitability of the product concept/Business analysis.
- Consumer responses must be tested using a small sample of the Product/Market testing.
- Technical implementation/Systems and processes are put in the production planning and control process.
- Commercialisation/The product is launch and marketing/advertsing campaigns implemented.
- New product pricing/The product is priced and forecasts worked out.

2.5 Purpose of packaging

- Packaging is needed to contain the item or product.
- Protects the product from breakage, gems, moisture or spoilage.
- Promotes the product by indicating the brand and trademark of the company and product
- Prevent tampering or theft of a product.
- Improves convenience in use or storage of a product.
- Contains information about the product, including uses, any harmful warnings or dosage requirements.
- Make product easier to identify
- Differentiates the product from other competing products.
- Attracts attention to show value of the product as a marketing tool
- Links the product to the promotion strategy used to promote the product.
- Reduces storage costs by minimising breakage.

2.6 Types/Kinds of packaging

2.6.1 Packaging for immediate use/Unit packaging

- Packaging needs to be cheap, because once the product is consumed, the packaging is thrown away.
- Example : packet of chips/chocolate bar wrapper

2.6.2 Packaging for double use

- Packaging can be re-used for purpose other than storing the original contents
- Consumers will thus be reminded of the particular brand after the original contents have been consumed.
- The container can be used for something else once the content is finished.
- Example; ice cream tub

2.6.3 Packaging for resale

- Retailers buy products in bulk from wholesalers or suppliers.
- Retailers unpack the products to sell them separately in smaller quantities.

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- Example; big box containing many boxes of washing powder

2.6.4 Kaleidoscopic/Frequently changing packaging

- Some details of the packaging change to advertise an important sporting event/competition
- The container or wrapper are continually changing
- Example. the advertise a sporting event

2.6.5 Speciality packaging

- Packaging must suit the product.
- Example. packaging for an expensive phone.

2.6.6 Combination packaging

- Various complementary products are packaged together because such products are usually purchased together.
- Example. Soap and a face cloth/shower gel and sponge/matching perfume and hand cream.

2.7 Meaning of trademarks

- A trademark is the name/logo/symbol used by a manufacturer/business to differentiate its products/business from competitors
- A trademark is officially registered and protected from unauthorised use by law
- It is a registered mark that a manufacturer puts on its products to distinguish its products from other manufacturers.
- Once a trademark has been registered, it may only be used by the person/business that registered the trademark.

2.8 Importance of trade of trademarks to businesses and consumers

2.8.1 Importance of trademarks to businesses

- A trade mark establishes an identity/reputation
- A registered trademark protects businesses against competitors who sell similar products.
- A well-known trademark helps to make a brand instantly recognisable
- Offers a degree of protection because branded products can be traced back to the manufacturer
- Businesses can use trademarks to market/advertise their products.

2.8.2 Importance of trademarks to customers

- Creates a sense of security and consistency for customers.
- Promotes loyalty and creates consistency for customers.
- Consumers are more likely to accept new products that are marketed under a well-known brand/trademark
- It represents a certain standard of quality and price to the consumer.

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2.9 The requirements of a good trade mark

- Must be attractive.
- Must suit the product
- Suitably designed for the target market.
- Must be different from its competitors.
- Must promote the image of the enterprise.
- Suitable for display purpose.
- Must be environmentally friendly.
- Must protect the contents.
- Should be easy to distribute/handle/transport and use.
- Protect and promote the product.
- Link the product to its promotion strategy
- Draw the attention of consumers.
- Inform customers on how to use the product.
- Prevent spoiling or damage
- Reduce storing costs by minimising breakage.
- Easy to handle and display on the shelves in the store.
- Indicate the correct mass or volume of the contents of the product.
- Indicate the ingredients of the product, if applicable.
- Indicate the name and contact details of the manufacturer.

MARKETING ACTIVITIES: (PRICING AND DISTRIBUTION POLICY)

The pricing policy

1.1 The meaning of price

- The price of a product refers to the amount of money that must be paid by the buyer to experience the benefits of the product.
- The pricing policy specifies what and how the business will work out the pricing of its product.

1.2 The importance of pricing

- The pricing process needs to consider flexibility/discount/territory/life cycle status/allowance.
- Pricing affects the number of products that an enterprise is able to sell, which in turn, affects profitability
- The price of a product can influence the consumers' attitude towards the product or the brand.
- If the is believed to be too high, fewer consumers may buy the product
- If the price is too low, consumers may perceive the good as being of poor quality.
- The pricing policy should explain when and to whom discounts will be granted.
- The price of a product must make provision for transport costs.
- The price of a product must make provision for VAT
- Low sales result in stockpiles of unsold product that have to be stored and not repaying the cost of manufacturing that product.

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2.3 Pricing techniques

2.3.1 Cost-based/orientated pricing

- Involves setting the price of a product based directly on its cost
- The business calculates the cost of producing one unit of the product, called unit cost, and then adds a standard mark-up to obtain the price.
- The costs of production and supply are calculated and a suitable profit margin is added to determine the selling price.

2.3.2 Mark-up pricing

- It is calculated as a percentage.
- This percentage is calculated from the cost per unit
- Example will include a sandwich-making a business may calculate that the cost of producing a sandwich is R10 and decide on a mark-up of 100%, setting the price at R20.

2.3.3 Customer/target based pricing

- It is when companies set certain targets to achieve.
- Based on what the business believes customers are prepared to pay.
- The perception of the product it wants to create in the customers' mind.

2.3.4 Competition based/orientation pricing

- Sets its price based on what competitors are charging customers.
- This approach is also called going rate pricing or competitive pricing.
- The more competition in the market, the lower prices are likely to be
- If the price is set at a higher level than of competitors, consumers must be convinced that the good is better in terms of quality and usefulness.

2.3.5 Promotional pricing

- Businesses offer sales or special offers to attract customers.
- It is used when the price is lowered for a short period of time.
- At certain times of the year, end of season ranges or old stock may be sold off at discount prices.Example include special offers/discounts that are valid for a limited period of time/"Buy one, Get one free" type promotions.

2.3.6 Penetration pricing

- Products are sold at very low prices to attract consumers when the product is introduced to the market.
- The aim is to convince the customers to buy a product.
- As soon as the introductory offer is over, the price is increased.It is often used for new products and it is not a profitable long-term marketing strategy.

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2.3.7 Psychological pricing

- This strategy is used when the business wants the consumer to respond on emotional basis rather than a rational one
- It is used to give an impression that an item is cheaper than it really is
- A CD player is priced at R699 instead of R700
- Consumer mentally place the item in the R600 rather than the R700 price range.

2.3.8 Bait pricing

- Prices are usually set lower than the items cost price to attract customers
- It is used to attract customers into a shop to buy the product and other items.

2.3.9 Price skimming

- Prices attached to a new innovative product that is considered unique and prestigious
- Higher prices are charged to test the deman
- There are consumers who are prepared to pay higher prices, because such inventions have prestige value
- As the product gains popularity, the price of the product is gradually reduced
- Price skimming can be successful and profitable in the short term

2.4 Factors that influence pricing

2.4.1 Input costs

- The higher the input costs, the higher the final price. An increase in labour or transportation could increase the final price.

2.4.2 Demand for the product

- The higher the demand, the higher the production volume, the lower the input costs, the lower the final price.

2.4.3 Target market

- Income level of the target market.

2.4.4 Type of product

- Luxury products can be priced higher.

2.4.5 Pricing technique used to determine the price.

- Promotional pricing could be lower than demand oriented pricing.

2.4.6 Competitive and substitute products

- If there are similar products that could replace a product, a high price may

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result in loss of sales to the substitute.
- If the price and demand of complement good increases, the other product may increase at the same rate.e.g. prices of computers and keyboards may increase at the same time.

2.4.7 The economic climate and availability of goods and services
- When there is a shortage of a certain product, people are prepared to pay more for it.

2.4.8 Forms of markets
- The following forms of markets will affect the price chosen

Perfect competition	● There are many buyers and sellers ● Products are similar and there are many substitutes' products. ● Example: Shares being traded on the JSE
Monopolistic competition	● There are many suppliers/sellers ● Each supplier has his/her own brand of a particular product ● Example: Car manufactures/dealers e.g. Toyota/Nissan/Ford etc.
Oligopoly	● Only a few suppliers/sellers control the prices of products. ● Product are homogenous/same ● Example: MTN, Vodacom /Cell C
Monopoly	● Only one supplier/seller controls prices and products ● Profit margins are usually higher because consumers do not have any alternative ● Example: Eskom

3 THE DISTRIBUTION POLICY

3.1 The meaning of distribution
- Every business needs to have a distribution policy so that it knows how and where products need to be distributed
- Distribution is about how the business gets its products to its customers
- Once products have been developed and priced, they need to be made available to consumers at the right place and at the right time
- Products need to be distributed from the place where they were manufactured to the market place.

3.2 The meaning of channel of distribution
- Distribution channel is the path which the product is moved from the producer to the consumer
- It is important that the channel is the most effective and cost efficient for the product and reaches the target market

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- A distribution channel is made up of many businesses that help move the product from the producer to the final user/consumer.
- It starts with the producer and ends with the final consumer
- The main aim of the distribution function is to ensure that the right product is available at the right time.
- There are three kinds of participants in a distribution channel :
  - The service provider
  - Intermediaries
  - Customers

3.3 Meaning of intermediaries

- All the people that fall into the distribution process between the producer and the consumer
- They are middlemen and act as negotiators and mediators between the producer and the consumer
- Intermediaries can be wholesalers, retailers, agents and brokers
- They are responsible for the transportation, storage and delivery of the goods and services
- The organisations involved in the distribution channel are known as intermediaries.

3.3.1 Different types of intermediaries

- Wholesalers primarily sell goods to retailers
- Retailers market directly to the final consumer
- Agents sell products on behalf of manufactures for a commission.\
- Brokers is a person who buys and sells goods for others.

3.3.2 The role of intermediaries in the distribution process.

- Finding and locating buyers on behalf of the producer
- Help in promoting the product.
- Intermediaries are specialists in selling, so the producer may be able to reach a wider audience
- They can achieve greater sales by using intermediaries
- The producer may not have the expertise or resources necessary to sell directly to the public
- The intermediary may be able to provide more efficient distribution logistics, for e.g. transporting the product to various points of sale
- Overall distribution costs may be lower using an intermediary than if the business undertook distribution itself, even when the intermediary's commission is taken into account.

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3.4 The different types of distribution channels

Manufacturer/Producer-consumer

- This is the shortest channel as the producer sells directly to the consumer
- It is usually found in the public sector

Manufacturer/Producer→retailer→consumer

- The producer sells goods to the consumer using the retailer.
- This is a single distribution channel and it is aimed at selling to large scale retailers

Manufacturer/Producer→wholesaler→retailer→consumer

- This is called a traditional distribution channel, the consumer buys from the shop, which buys from a wholesaler, which in turn gets its stock in bulk from the manufacturer
- Consumer products such as maize meal are sold by the producers to the wholesalers, who again sell to retailers then to the consumers
- This distribution channel is usually used in rural areas.

Manufacturer/Producer→wholesaler→retailer

- This is where the wholesaler buys from the producer and sells directly to retailers.
- The cash and carry wholesaler sells directly to retailers for consumption.

Manufacturer/Producer→agent→wholesaler→ retailer→ consumer

- Agents often connect the manufacturer to the wholesaler or retailer.\
- The more intermediaries there are in a distribution channel the more consumers can be reached
- Especially consumers in the rural areas who will also have access to goods.

3.5 Differences between direct and indirect channel of distribution

Direct channel of distribution	Indirect channel of distribution
● Carry all the risks.	● Risks are shifted to intermediaries during the distribution of the product to end user
● Involves the producer and the consumer	● There are middlemen between the producer and the consumer
● The wholesaler and the retailer are cut from the process	● The wholesalers and retailers act as negotiators between the producer and consumer.
● Marketing and selling of products to the customers without involving the middleman.	● Specialised agents deal with customers
● Full control over the product and marketing.	● Very little feedback from customers.

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● Better end user price as no intermediaries costs	● Transportation and storage is taken care of by intermediaries.
● Provides immediate feedback	● Manufactures make use of middlemen such as wholesalers/agents/brokers/retailers.
● Needs more specialised employees' who are trained.	● The manufacture is not knowledgeable about the distribution of the product
● Better end user price as no intermediary costs.	● Products may be expensive as costs are intermediary costs are added.

3.6 Reasons why manufacturers may prefer to make use of direct or indirect distribution methods.

3.6.1 Reasons why manufacturers may prefer to make use of the direct distribution method

- Manufacturers have control over the product and marketing
- They achieve better end-user price as there are no intermediary costs
- The business does not need to share its profit margin with intermediaries
- Products become very expensive once all the intermediaries have added their own mark-ups
- There is direct contact with target market for feedback and improvements
- Sales staff provide customer information for future market research
- Selling through the internet allows smaller businesses to market their products all over the world
- Businesses websites can serve as both a distribution method and a promotion method\
- Well trained sales staff are able to promote products effectively and establish good relationships with customers
- Suitable intermediaries may not be available/Intermediaries may not be willing to sell the particular product on behalf of the manufacturer.

3.6.2 Reasons why manufacturers may prefer to make use of the indirect distribution method

- Specialised agents deal with customers
- Transportation and storage is taken care of by intermediaries
- There is no need to hire specialised staff to do sales complains.
- They do not have to deal with customer complaints.
- They enjoy the benefits of bulk orders from wholesalers.
- Better market coverage is achieved
- Intermediaries understand how the market operates.
- Consumers are often spread across the country, distribution needs to be widespread as well.
- Direct distribution requires a large investment in advertising
- Intermediaries sometimes provide credit to consumers, which will help attract more consumers.

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PRODUCTION FUNCTION

1 PRODUCTION PLANNING

1.1 Definition of production planning

- Refers to setting goals for the production department and establishing policies/programmes and procedures to achieve these goals.\
- It aims at decreasing cost and time and increasing output by organising the resources and workplace to maximise efficiency.
- Production planning involves everything from the individual roles of staff, ordering of stock, to the final delivery to the customer
- Planning is done due to constant changes in the manufacturing process.
- Production planning must control the following aspects:
    - Actual production
    - Inventory/stock
    - Factory layout
    - Production costs

1.2 Aspects that must be considered during production planning

1.2.1 Planning

- Production planning of each aspect of the overall process.
- It includes the layout of a factory and the flow of materials through the process.
- The planning has to cover all aspects of the production process such as the factory layout based on the optimal flow of material
- It includes decisions on the purchasing of the materials, machinery and equipment and staffing.
- Budget, machines and manpower are calculated and used to determine expected output.

1.2.2 Routing

- Involves planning is the sequence in which the production operations will take place.
- It establishes the best and cheaper way to sequence the production process.
- Setting up of the actual route which the materials must follow in the process to save time and costs.
- Routine determines the following aspects:
    - Quality and type of raw materials
    - Manufacturing process and sequence
    - Specification of the final product
    - Cost analysis

1.2.3 Loading

- Involves planning who will be responsible for each activity identified during the routing process.
- Involves allocating every person/machine to their task.

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- Loading calculates the amount of time each machine will need to operate during a day.
- It also indicates which machines are not being used to their full capacity.
- It is linked to the output required to fulfil orders and prevent the overloading of employees and machines.

1.2.4 Scheduling

- Scheduling involves the timing of the production process
- It priorities certain jobs and determine which jobs need to be completed before the next one can take place.
- Scheduling takes into consideration the routing and loading of both labour and machinery.
- Involves calculating the time required to perform each activity in the manufacturing process.
- Planning when each activity should start, and then calculating the time required to complete the whole process
- Time periods that need to be worked out considering the preparations of raw material/delivery of raw materials/delivery of final products etc.
- Scheduling is affected by capacity and size of the business/availability of staff/machinery and materials.
- The more detailed the schedule the better a resource it will be for controlling the process.

1.3 Advantages of production planning

- Planning allows an entrepreneur to ensure that every machine and worker is used to their full capacity and not left with nothing to do
- The company can ensure that it has the correct amount of supplies and stock at a given time.
- This reduces wastage and unnecessary storage costs
- Planning will prevent time being wasted and increase the number of final products
- Planning process involves quality checks and ensures that the correct quality is reached in the shortened possible time.

2.1 The meaning of production control

- Controlling of each individual task and action in the production process and establishes the starting and finishing of each task
- Production control ensures that production is undertaken according to the production plan
- It includes dispatching, following up, inspection, and corrective action.

2.2 Aspects that must be considered during production control

2.2.1 Dispatching

- Involves issuing production orders to start production. It provides orders for:
  - Movement of materials, tools and equipment to the necessary locations

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- Beginning the process
- Checking the time and costs involved in the process
- Checking the flow of work according to the routing
- Supervising the process.

- Dispatching is putting the production plan and schedule into action.
- It identifies the person who will do the work, supplies the specifications and materials list.

2.2.2 Following up or controlling

- Following up makes sure the scheduling and production systems are running according to plan.
- It deals with unplanned issues/problems and sorts out any misunderstandings in terms of job process requirements.
- Following-up on the progress of production helps to prevent bottlenecks and misunderstandings.

2.2.3 Inspection

- Inspection involves the checking of the quality of the process and the final product.
- It is done at regular intervals during the production process as well as at the end.
- Inspection methods include the random selection of products/viewing/sampling and testing the product.
- Legal and regulatory processes are also checked to ensure that the necessary standards are met.

2.2.4 Corrective action

- Corrective action involves any adjustments to the planning process.
- Staffing issues are also dealt with corrective action.

3 Safety management

3.1 Factory safety

- Safety precautions are essential in every workplace especially when dealing with chemicals/dangerous machinery/harmful substances.
- All business should draw up their own safety policy and enforce necessary control measures.

3.2 Reasons why businesses must manage safety in the workplace

- Workplace accidents can result in injuries and deaths.
- Publicity of workplace accidents will also impact negatively on an enterprise's image.
- Regular or serious workplace accidents may even cause inventors to invest their money in another company.

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- Potential employees may decide not to accept a job offer at an enterprise where many accidents have occurred.

3.3 Requirements for a safe environment

- All businesses should draw up their own safety policy and enforce necessary control measures.
- Safety warnings and signs should be visible.
- Every business should have an up-to-date first-aid kit in an easily accessible place.
- At least one employee trained in first-aid should be on site.
- The workplace should be free of hazardous substances that cause damage, disease or injury to employees or visitors.
- Employees should be informed of any dangers in the workplace.
- Information, instructions and training should be provided to all employees.
- All workers should be informed of the potential safety and health hazards.

3.4 Precautionary measure that businesses should take when handling machinery

- Familiarise employees with safety procedures.
- Develop a culture of safety in the workplace.
- All machinery and equipment must be correctly installed and safe to use.
- Workers must be properly trained on how to use machinery and must be informed about the risks when using the machinery.
- Regular safety checks must be carried out and machinery should be maintained and serviced regularly.
- Workers need to wear protective clothing/gear such as overalls/ hard hats/ safety helmets/masks/heavy-duty safety boots/welding goggles when working with machinery and equipment.
- Hard hats should be worn on construction sites at all times.

3.5 The purpose of the Occupational Health and Safety Act

- Requires every business to establish and maintain, a safe work environment that is without risk to the health of the workers.
- Review the efficiency of health and safety measures.
- Outlines the roles and responsibilities of employer, employees, manufacturers, designers, importers, suppliers and sellers.
- Clarifies the roles and duties of the health and safety representative and committee.
- Requires that the main dangers and potential incidents of the workplace be identified and eliminated.
- Examines the causes of incidents by any employee relating to the employee's health and safety at work.
- Expects employees to co-operate and follow the necessary instructions and report any unsafe situations.

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- Makes presentations to the employer concerning general health and safety issues at the workplace.

3.5.1 Ways in which businesses can comply with the Occupational Health and Safety Act.

- Workers must be provided with protective gear to protect themselves against potential dangerous situations.
- First aid boxes must be readily available at the workplace and in the factory.
- Fire extinguishers must be readily available at the workplace and in the factory.
- Machinery must be maintained at regular intervals and repaired promptly.
- Implement the SAFE steps as follows:
  - S: spot the hazard
  - A: assess the risk
  - F: fix the problem
  - E: evaluate the results

1 QUALITY CONTROL

a. Definition of quality control

- Refers to the process of ensuring that goods or services are made to consistently high standards
- It is the inspecting of the final product to ensure that it meets the required standards.

b. Meaning of a quality management system

- A quality management system is a framework that a business uses to manage key processes.
- It enables business processes meet the correct standards
- This system that includes quality control and quality assurance.

- **Quality assurance** is the process carried during and after the production process.

- **Quality control** is the inspecting of the final product to ensure that it meets the required standards.

- Businesses implements a Total Quality Management system as part of quality management system.

c. Total Quality Management (TQM) as part of quality management system

- Total Quality Management involves every part of the business, and quality is everyone's responsibility, including every department and employee.
- The main aim of TQM is to improve the quality of products and services in order to satisfy the needs of customers beyond their expectations.

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- Continuous improvement is the foundation of TQM. This means that all techniques, systems and machinery used must be subjected to continuous improvement.
- It is the responsibility of each employee to take care of his/her own quality.
- Machines and equipment's are checked regularly.
- All input including raw materials are checked thoroughly and discussions are held on how to improve quality.
- Management ensures that each employee is responsible for the quality of his/her work/actions.

d. Quality control bodies

South African Bureau of Standards (SABS)

- The SABS is an organisation established by the government to ensure that South African businesses meet a range of standards, with regard to health, safety and the environment.
- The primary responsibility of the SABS is to develop and publish standards for products and services.
- The SABS performs the following functions:
  - Sets and publishes national standards
  - Provides training regarding all aspects of standardisation
  - Testing products
  - Provides information on international and national standards
  - Tests and certifies products and services against the standards
  - Monitors and enforces legal regulations
  - Promotes design excellence
- Business products must undergo thorough testing to ensure that they meet the necessary standards then they will earn an SABS mark.\
- The SABS mark gives the assurance that the product complies with safety requirements.

i. International Organisation for Standardisation (ISO)

- It sets out procedures a business should follow to ensure that its final product meet its own promises and its customers' expectations and that quality improves over time.
- ISO9000 is set of internationally recognised standards set for different industries.
- ISO standards are used in many countries all over the world.
- Industries are able to measure their own quality management system against these international standards.
- Accreditation with ISO acts as a signal to customers that the business takes its quality commitments seriously and continually strives to improve its operations.

ii. Quality cycles

- These are groups of employees who work in different departments e.g. production, marketing, purchasing and financial, but who deal directly or indirectly with the same product or service.
- They meet regularly to discuss how quality, efficiency and productivity could be improved.
- They analyse problems with the production process and brainstorm solutions.\

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- Employees are often best placed to know how to improve quality.
- Typical topics discussed by quality circles include improving safety, improving product design and manufacturing processes.
- The ideal size of a quality circle is eight to ten members.
- Quality circles form part of TQM

1. Professionalism and ethics

1.1 Definition of ethical and professional behaviour

1.1.1 Ethics

- Moral principles that govern the behaviour of a person or a group.
- Ethics defines how individuals/professionals and businesses choose to interact with one another.
- It involves making sound business decisions that do not have a negative effect on other people.
- Focusses on developing moral compass that can be used in decision making.
- These decisions entail identifying ways of achieving the objectives of the business, while also doing what is right and good for other people.

1.1.2 Professionalism

- A way in which people conduct themselves in the workplace, maintaining high standards and showing respect to all.
- The competence or skill expected of a professional person.
- It involves taking pride in your actions and never compromising standards.
- It is about being focussed on what you do and being committed to a certain standard performance.

1.2 The differences between professionalism and ethics

PROFESSIONALISM	ETHICS
• Set of standards of expected behaviour.	• Conforms to a set of values that is morally acceptable.
• Forms part of a code of conduct to guide employees to act professionally.	• Applying a code of conduct set by a profession or business.
• Focuses on developing a moral compass to use in decision making.	• Focuses on upholding the reputation of a business/ profession.
• Includes guidelines on employees' appearance/ communication/attitude responsibility etc.	• Involves following the principles of right or wrong in business activities/practices/dealings.

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• Used for the good of the employees/individuals.	• Acceptable to society/ community
• Apply a code of conduct set by the profession or business.	• Forms part of the employees' code of conduct.

1.3 The principles of professionalism and ethics 1.3.1
Principles of professionalism

- Employees should respect themselves and the rights of others.
- Responding quickly to the request of customers • Caring about the quality of work before submission.
- Communicate with clarity and honesty.
- Meeting deadlines by completing assignments before the due date.
- Using resources responsibility with due regard for the environment.

- Respecting the image of the business/your profession, e.g. adhere to the dress code of the business/profession.
- Respecting diversity and differences and demonstrate cultural sensitivity.
- Acting with integrity/honesty/reliability, e.g. keep to working hours even if no other workers are around/noting using the business resources for personal gain.
- Being committed to quality and apply skills and knowledge to the benefit of the business/society at large.
- Adhering to confidentiality measures by not disclosing sensitive information about customers/business.
- Remaining objective, act fairly and justly to all without being biased or showing favouritism.
- Continually improve/develop skills and knowledge, e.g. attending refresher courses and seminars.
- Sharing knowledge by investing time and expertise with junior staff members, e.g.
  uplifting/empowering others.
- Offering and accept appropriate incentives, goods and services in business transaction.

1.3.2 Principles of ethics

- Being objective and impartial.
- Transparency and full disclosure.
- Confidentiality
- Avoiding conflict of interest.
- Being committed and responsible.
- Initiating CSI projects for communities/Social responsibility
- Looking after the environment

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- Abiding by international laws

1.4 Theories of ethics

1.4.1 The rights approach

- Focuses on individual rights where people should be treated with respect and dignity.
- No person may be maltreated and the business will not impose its mission or products on people.

1.4.2 Consequential approach

- Business must promote or generate the greatest value for society, while harming as few as possible.
- Consequentialists believe that an act should be judged based on the effect it has on others/ if the effect is good, the action can be seen as ethical.

1.4.3 The common good approach

- Focuses on ensuring that the business' values and ethical principles are in line with society in which the business operates.
- It recognises that ethics and values vary from country to country and from area to area.

1.5 Good and bad decisions

1.5.1 The meaning of good decisions

- Good decisions are those that are ethically correct and will be also benefit the without harming others.
- A good decision enables businesses can make a lot of profit

1.5.2 The meaning of bad decisions

- Bad decisions are not always ethical, they can be the results of the wrong information.
- A decision that brings in lots of profit, but based on unethical business practices, is bad.
- In the long run, no business can survive it its policies and way of doing things are unethical.

1.5.3 Examples of the differences between good and bad decisions

GOOD DECISIONS	BAD DECISIONS
Maintaining high levels of integrity	Not considering values
Honouring professional business practices	Insufficient or erroneous information
Respecting diversity	Selfish motives

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Not starting a business venture at the expense of others.	Violating customer's privacy
Payment of fair wages	Damaging the environment
Not discriminating against employees	Price fixing
Regular payment of tax	Tax evasion
Reducing environmental pollution	Cloning animals or people
Importing goods that have been produced by factories with fair labour practices,	Bribery

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

- Businesses should treat all employees equally.
- Plan properly and put preventative measures in place.
- Pay fair wages/salaries which are in line with the minimum requirements of the BCEA. /Remunerate employees for working overtime/during public holidays.
- Engage in environmental awareness programmes. /Refrain from polluting the environment, e.g. by legally disposing of toxic waste.
- Refrain from starting a venture using other businesses' ideas that are protected by law.
- Business decisions and actions must be clear/transparent to all stakeholders.
- Businesses should be accountable /responsible for their decisions and actions/patent rights.
- Hiring honest/trustworthy accountants/financial officers with good credentials.
- Regular/Timeous payment of taxes.
- Draw up a code of ethics/conduct.
- Ongoing development and training for all employees.
- Performance management systems. /Appraisals should be in place.
- Adequate internal controls/monitoring/evaluation.

1.6.1 Meaning of code of ethics

- A written set of guidelines issued by an organisation to its workers and management to help them conduct their actions in accordance with its primary values and ethical standards.
- Outlines the mission and values of the business or organisation.
- Defines the values by which a business will function and provides a guideline for employees when making decisions.

1.6.2 Requirements for a good code of ethics

- Regular identification of ethical risk areas
- Development of compliance policies, procedures and systems
- Easy accessibility , confidentiality and non-discriminatory
- Alignment with the disciplinary code
- Integrating the integrity assessment with selection and promotion

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- Induction of new employees
- Training ethical principles, standards and decision-making
- An internal audit that monitors compliance with ethical principles and standards.

1.6.3 Implementing a code of ethics

- Once a code of ethics has been compiled, everyone in the business must adhere to the code.
- Employees must understand that a breach of the code is punishable. The business must should do the following aspects for the correct implementation of a code of ethics:
    - Employ right people
    - Train employees on ethical principles
    - Set an example of a good ethical behaviour
    - Involve employees in drafting the code of ethics.

2.1.1 Different perspectives on ethics

- There are certain universal ethical principles such as human rights but they differ according to culture/religion etc.
- There is no absolute right or wrong when it comes to ethics as societies decide on acceptable behaviours.
- Different cultures have different rules of conduct.
- Some people believe cloning animals or people is interfering with nature, while others believe that cloning indicates scientific progress and medical hope
- Some believe that tax evasion is wrong, while others regard tax evasion to be creative bookkeeping.

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