BUSINESS STUDIES – PAPER 1

GRADE 11 - TEERM 4

REVISION NOTES

CHAPTER 1

❖ COMPONENTS OF THE MICRO, MARKET & MACRO ENVIRONMENTS. (RECAP)

Micro environment	Market environment	Macro environment
• The business mission and objectives, • its management structure, • its resources and its culture are primarily controlled by the enterprise's management	• Customers/Buyers; are the final users of the product/services. • Suppliers; include factories/providers of goods/services that businesses would obtain/buy from in order to operate their businesses. • Intermediaries/Agents; who help to promote, sell and distribute products to consumers. • Competitors; which sell the same/similar products/services may have a greater impact on the market of the business. • A regulator ; is a person/organisation with official power to control an activity and make sure that it is done in a satisfactory way/make rules by which enterprises in the different industries must abide. • Strategic allies; refer to two or more businesses that work together to allow them to obtain the expertise they lack from another business. • Unions; are the employee organisations that aim to improve working conditions of the labour force.	• Physical/Natural environment • Economic environment • Social/Cultural/ Demographic environment • Technological environment • Legal/Political • Environmental/ Global environment • Institutional environment

Reasons why businesses have full control over the micro environment

- Business owners and managers have a great deal of control over the internal/micro environment of business, which covers day-to-day decisions.
- They choose the suppliers they purchase/which employees they hire/the products they sell, and where they sell those products.

Reasons why businesses have limited control over the market environment

- Market environment for a business includes company related influences
- Businesses can influence their competitors by increasing the quality of their products in relation with competitor prices.

Reasons why businesses have no control over the macro environment

- The market environment refers to the major external and uncontrollable factors that influence an organization's decision making.
- The external environmental conditions that affect a business are generally beyond the control of management and change constantly.

Ways in which businesses can be involved in the macro environment

- Influencing suppliers by signing long term contracts.
- Creating new uses for a product by finding new customers.
- Influencing regulators through lobbying and bargaining.
- Initiating bargaining sessions between management and unions.
- Knowing government regulations and operating within them.
- Working within the law to set up contracts.
- Working within the law can assist the business to set up contracts.

❖ **CHALLENGES OF THE BUSINESS ENVIRONMENTS**

Challenges of the micro environment	Challenges of the market environment	Challenges of the macro environment
• Difficult employees. • Lack of vision and mission • Lack of adequate management skills • Unions • Strikes and go slows • Skills shortages among employees • High employee turnover • Employee absenteeism	• Competition • Shortage of supply • Changes in consumer behaviour • Demographics and psychographics • Socio-cultural factors	• Change in income levels • Political changes • Contemporary legislation • Labour restrictions • Micro lending • Globalisation/international challenges • Social values and demographics • Socio economic issues • Socio economic challenges.

CHAPER 2

Ways business can adapt to the challenges of the MICRO environment

CHALLENGES	RECOMMENDATION
Lack of vision and mission	• Management must have a clear vision which is understood and communicated this to all employees. • The vision and mission should direct the use of resources and actions of employees. • Businesses' values must be evident in their ethical standards and the way employees are treated. •
Unions, strikes and go slows	• Managers need to deal fairly and transparently with trade unions. • They need to build relationships with union representatives so that through positive negotiations strikes can be avoided. • The business can also make use of the CCMA to help reach an agreement with the trade unions.

Ways business can adapt to the challenges of the MARKET environment

CHALLENGES	RECOMMENDATION
Competition	• Businesses must take into account its entry into and operation within the market. • Conduct research and identify customer needs. • Offer products or services • Offer more personal services. • Ensure that the staff is well trained and knowledgeable.
Demographics and psychographics	• Businesses need to ensure that their information is up-to date and accurate. • They need to interpret data accurately so that they can plan an effective marketing strategy and plan. • They need to keep track and study the attitude, taste and desires of the market.

Ways in which businesses can overcome competition in the market

- Improving on customer services and keeping them happy.
- Charging the lower prices than that of the other businesses.
- Offering more personal services by being responsive to the customer's needs/ expectations.
- Offering low-cost extras such as improved credit terms/discounts/loyalty schemes etc.
- Selling products of a superior quality/new products/services that the customers might be interested in.
- Updating the image of the business such as painting the front of the premises/ making the business looking modern/ inviting.

Benefits of CSI projects for businesses

- CSI projects may be used as a marketing strategy to promote their products.
- CSI projects promote teamwork within businesses.
- CSI helps to attract investors because of increased profits/income
- Promotes customer loyalty resulting in more sales.
- A business may have a competitive advantage, resulting in good publicity/an improved reputation.
- The business enjoys the goodwill/support of communities.

Examples of contemporary legislation

National Credit Act

- This Act was established to protect both businesses and consumers from negligent lending practices that results in over indebtedness for consumers,

Consumer Protection Act

- This Act promotes and advances the social and economic welfare of consumers in South Africa.

Employment Equity Act

- This act is there to eliminate unfair discrimination in the business against race, colour, age, gender, religion or disability.

- It ensures that the demographics make-up of the country is reflected at all levels in the business

Broad Based Black Economic Empowerment Act

- This Act ensures that the previously disadvantaged people fully participate in the economy.

Basic Conditions of Employment Act

- It deals with the constitutional rights in the work place by addressing issues such as working hours/leave/employment contracts pay slips and other working conditions in the business.

Labour Relations Act

It deals with labor justice and to bring healthy industrial relations in the business between the employers and the employees

Skills Development Act

- The main aim of this Act is improve the skills of all people in South Africa and those employed by business.

Compensation for Occupational Injuries and Diseases Act/COIDA

- It provides compensation for disablement or death caused by injuries or diseases contracted by employees in the course of their employment

Reasons why businesses lobby

- Businesses lobby their regulator or supervisory body in order to try influence prices, policies, regulations and other decisions made by the regulator or the supervisory body
- Businesses or people lobby or change laws like, child labour laws, clean air and water laws, municipal regulations, etc.

Ways businesses can form power relations

Strategic alliance/Partnership agreements

- Businesses form partnership agreements in order to benefit each in each other's involvement.
- These partnership alliances help parties involved to benefit in infrastructure development and scarce skills.

Persuasion of large investors

- Businesses invite powerful influential people to sit on their board of directors in order to get advice from those people.
- Having such powerful as part of the business may have a positive influence √ on the reputation and image of the business.

Company representatives' influence

- This representative fulfils an important function in trying to persuade investors to invest in a particular business practice.
- Businesses must invest time and energy to recruit the right person for this job.

CHAPTER 3 – SOCIO – ECONOMIC ISSUES

Meaning of contemporary socio-economic issues

- Socio-economic issues are societal issues that may have a negative impact on businesses.
- They are issues that affect people and the economy in a negative way.
- Socio-economic issues have the potential to influence the efficiency of a business, the way products are marketed and distributes.

Meaning of industrial relations

- Industrial relations refers to the relationship between the employer and employees.
- It influences the way in which businesses are guided by the Labour Relations Act.

Meaning of strikes

- A strike can be defined as a collective, organised stopping of work by employees to force their employers to accept their demands.
- Strikes is usually the results of a labour dispute and it takes place when employees refuse to work.
- The most reasons why employees usually strike include wages, working hours and working conditions.

The negative impact of strikes on businesses

- Strikes scares off potential investors.
- Businesses may be forced to close down especially those located in townships.
- May results in losses of production as employees stay absent from work during strikes.
- Many businesses suffer losses as a result of damage to property.
- Employees can lose their pays for all the days that they strike.
- Economy can be jeopardised since production is lost.
- Expense of increased salaries and wages is often passed on to the consumer, which causes inflation.
- Businesses loose income because productivity is low.

Meaning of Inflation

- Inflation refers to the general increase in the prices of all products in the country.
- It leads to a decrease in the purchasing power of money.

The negative impact of inflation on businesses

- Inflation increases the costs of raw materials and other inputs.
- Employees may be retrenched which increases unemployment and decreases buying power even further.

Meaning of piracy

- Piracy is the unauthorised use/reproduction of another person’s original work.
- Products that are associated with piracy are computer software/DVD/CDs etc.
- Many people download music from the internet without being aware that they are infringing someone else’s intellectual property right.

The negative impact of piracy on businesses

- It can undermines the music/movie industry as they lose money.
- Leads to job losses in the industry
- May cause damage to the value of the businesses.
- The businesses loses out on sales and income which in turn threatens industry
- The businesses loses out on productivity and profits.

Possible solutions to piracy/ Ways in which businesses can deal with piracy

(a) Patent

- A patent prevents other businesses/people not to produce and sell the same product/ specific service.
- Businesses can take out a patent for new inventions and include a sample of their invention with application.
- They must register a patent with the patents office in South Africa.
- They can bring legal proceedings against anyone who uses the invention.

(b) Trademarks

- Businesses can trademarks to identify themselves and their products.
- They must register their trademarks with the register of trademarks at the companies and intellectual property registration.
- A registered trademark is protected forever provided it is renewed every ten years and a renewal fee is paid.
- Claim damages from someone who infringes the trade mark.

(c) Copyright

- Businesses can sue someone who infringes the copyright.
- They can also sue someone who sells or distributes works that he/she knew were infringements of copyright.
- They can take legal action against people who copy their products.

Roles of trade unions

- They ensure that the employers include employees in the decision-making process.
- They ensure that employees are treated fairly and respected.
- Serves as mechanism through which employees have a collective voice in the workplace.
- Unions are involved with social dialogue regarding poverty alleviation, job creation and wealth distribution.

Functions of trade unions

- Improves conditions of employment.
- Influencing government decisions.
- Representing employees corporately and individually.
- Improving material benefits of their members.
- Take legal action on behalf of members when necessary.
- Ensures that all employees are treated equally in the workplace

- Protecting workers from unfair labour practices and unfair dismissal.

Types of industrial actions

(a) Strikes

- A strike is when employees stop working completely.
- Employees do not get paid for the days spent on strikes.
- Strikes represent the final stage of dispute/disagreement between management and employees.
- The purpose of a strike is to force employers to agree to the demands of the strikers.

(b) Go-slows

- Go slow is a collective industrial action taken by workers in protest against an employer.
- Workers work slowly as possible or reduce production output.
- Employees still have to be paid as they are doing their work whereas they do not get paid when they go on strike.

(c) Lockouts

- A lockout occurs when an employer locks employee out of a workplace.
- A lock out is legal if it complies with the requirements of the Labour Relations Act.
- Employers often lock employees out during a strike to ensure the safety of their premises, equipment and working conditions.

4 Purpose of the Labour Relations Act

- Promotes resolution of labour disputes.
- Promotes fair employment practices.
- Outlines the relationship between employees and employers.
- Regulates the rights of trade unions and facilitates collective bargaining.
- Regulates the effectiveness of bargaining councils and statutory councils.
- Clarifies the transfer of contracts of employment procedures.
- Establishes Labour Courts and Labour Appeal Courts to deal with labour issues.
- Endorses the right to strike against retrenchments, and facilitates labour disputes.

CHAPTER 4 – BUSINESS SECTORS

The relationship between the primary, secondary and tertiary sector

- The primary sector depends on the secondary sector for manufactured goods such as machinery/equipment/fertilisers e.g. a farmer may require seeds from another farm.
- The primary sector is dependent on the tertiary sector for its customer needs.
- The secondary sector processes the raw materials obtained from the primary sector into more useful products.
- The secondary sector depends on the primary sector for raw materials and products.
- The secondary sector depends on other secondary industries e.g. BMW needs tyre from DUNLOP another secondary sector player

- Secondary sector needs the tertiary sector to sell their processed or manufactured goods and also for services such as banks, insurance, transport and communication
- The tertiary sector depends on the primary sector for raw materials that do not need processing by the secondary sector.
- The tertiary sector depends on the secondary sector for manufactured goods such as office machines/office furniture/stationery etc.

CHAPTER 9 & 10

MARKETING – PRODUCT POLICY AND DISTRIBUTION

Meaning of the product policy

- The product policy is the first component of the marketing function.
- 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.

The purpose of advertising

- The purpose of advertising can be explained in terms of AIDA as follows:
  - **Attract**: attract the attention of people
  - **Interest**: arouse their interest in the product
  - **Desire**: create the information needed to persuade the consumer to act and buy the product.
  - **Action**: provide the information needed to persuade the consumer to act and buy the product.

Components of the marketing communication policy

Advertising

- Advertising is used to inform, persuade and remind the consumer about the product or service
- Advertising is a paid and non-personal marketing communication tool.
- It involves communication with many consumers at the same time.

Publicity

- Publicity is a free non-personal form of communication that the business and its product can receive through mass media e.g. newspaper and television
- Publicity is unpaid communication in the mass media about a business enterprise, its employees, its goods or services.
- The business has no control of what is said about them.
- Endorsements by famous people draw attention to a company's brand and products.
- Some companies hand out gifts and samples with company branding on them.
- Publicity can be positive or negative as it is not paid for by the business.

Personal selling

- Personal selling involves face-to-face communication between sales people and customers or potential customers to promote the product.
- The business uses sales people who have direct contact with customers.
- The sales person is ready to answer all the questions asked by the consumer.
- Sales people promote the product through their attitude and appearance.

The message can be individualised to suit the needs of the consumer

Purpose of packaging

- Packaging is needed to contain the item or product.
- Protects the product from breakage, gems, moisture or spoilage.
- Prevent tampering or theft of a product.
- Make product easier to identify
- Differentiates the product from other competing products.
- Links the product to the promotion strategy used to promote the product.
- Reduces storage costs by minimising breakage.

CHAPTER 11 – PRODUCTION FUNCTION AND PRODUCTION PLANNING

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.
- Planning is done due to constant changes in the manufacturing process.

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.

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.
- There is direct contact with target market for feedback and improvements.
- Sales staff provide customer information for future market research.

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.

1.1 Aspects that must be considered during production planning

1.1.1 Planning

- It includes the layout of a factory and the flow of materials through the process.
- 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.
- 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.
- It also indicates which machines are not being used to their full capacity.

1.2.3 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.
- Involves calculating the time required to perform each activity in the manufacturing process.

Steps/Stages of product design

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

3.3 Factors that influence pricing

3.4.1 Input costs

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

3.4.2 Demand for the product

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

3.4.3 Target market

- Income level of the target market.

3.4.5 Type of product

- Luxury products can be priced higher.

3.4.6 Pricing technique used to determine the price.

- Promotional pricing could be lower than demand oriented pricing.

3.4.7 Competitive and substitute products

- If there are similar products that could replace a product, a high price may result in loss of sales to the substitute.

3.4.8 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.

3.4.9 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

3.2 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.
- Regular safety checks must be carried out and machinery should be maintained and serviced regularly.

- Workers need to wear protective clothing/gear when working with machinery and equipment.
- Hard hats should be worn on construction sites at all times.

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

1.1 Quality control bodies

1.1.1 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

1.1.2 International Organisation for Standardisation (ISO)

- 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.

CHAPTER 19 – HUMAN RESOURCES

1 The meaning of the human resources function

- The human resources function is responsible for administering and controlling the workforce of a business to achieve its objectives.
- The human resources manager is responsible for performing the following activities:
  - Recruitment
  - Selection
  - Contracts
  - Induction
  - Salaries
  - Benefits

Meaning of selection

- Selection is done after recruitment where a business receives many application forms after advertising a job.

2.3 The meaning of induction/Orientation

- Once the successful candidate has accepted the job offer and signed the employment contract. The employee will go through a process of induction.
- The process of introducing the new employee to the business/ fellow colleagues/the work unit and the work that needs to be done.
- An overview of the business/the procedure at work/communication channels/general rules of the business are explained to the new employee.

Salary determination methods

- There are different systems to determine how to pay employees.
- The suitability of the system will depend on the type of job
- There two types of salary determination methods namely:
  Piece meal and time related methods

The selection procedure

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

2.4 The role of the interviewer during the interview

- Allocate the same amount of time to each candidate.
- Introduce members of the interviewing panel to each candidate/interviewee.
- Make the interviewee feel at ease.
- Explain the purpose of the interview.
- Ask open ended work related questions.
- Do not mislead the interviewee.
- Provide an opportunity for the interviewee to ask questions.
- Close the interview by thanking the interviewee for attending the interview.

Difference between piecemeal and time related salary payment

PIECEMEAL	TIME-RELATED
• Workers are paid according to the number of items/ units produced /action performed.	• Workers are paid for the amount of time they spend at work/on a task.
• Workers are not remunerated for the number of hours worked, regardless of how long it takes them to make the items	• Workers with the same experience/qualifications are paid on salary scales regardless of the amount of work done.
• Mostly used in factories particularly in the textile/technology industries.	• Many private and public sector businesses use this method

The purpose of induction

- Create a feeling of security.
- Create realistic expectations.
- Create opportunities for new employees to experience/explore different departments.
- Communicate information about the products/services of the organisation
- Make new employees feel welcome by introducing them to their physical work space.
- Ensure that the new employee become productive as soon as possible.
- Inform new employees about the rules, policies, standard procedure and communication channels.
- Make new employees to feel welcome.