



PHAKAMANI
LEARNING ACADEMY

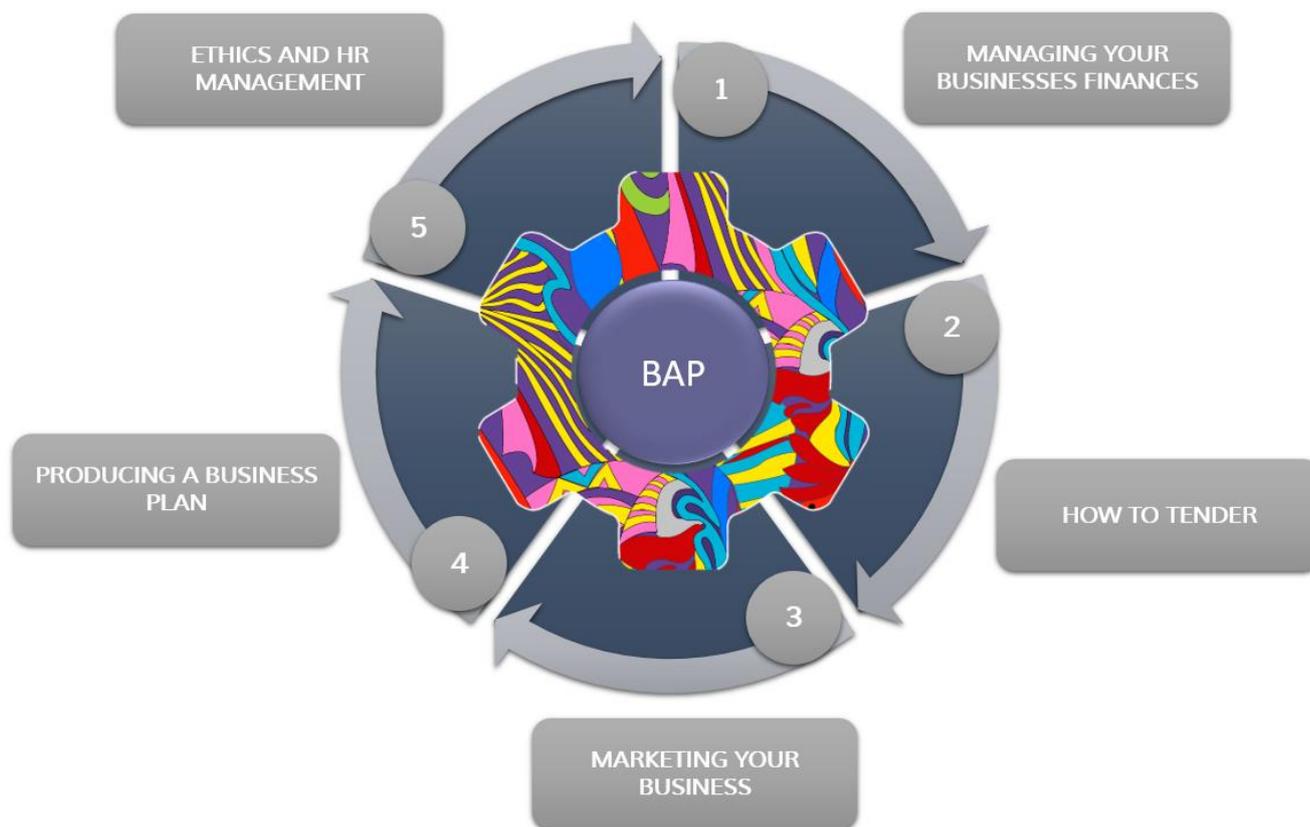
BUSINESS ACCELERATOR PROGRAM



Complete Guide

All Modules: BAP

PROGRAMME STRUCTURE



WELCOME AND INTRODUCTION

Thank you for attending this Skills Programme, it is designed to assist your Business in developing in key areas of business management. There are 5 modules completed over a working week period. You will be required to do self-study and reflection on the material.

We have designed this program to ensure that as an owner of a business you will gain knowledge and practical experience in the KEY AREAS of business, which are finances, tendering, marketing, business plans and ethics and HR management.

Please ensure you complete all of the exercises and attend the full programme either online (digital learning) or in the classroom with the facilitator.

We look forward to taking you with us on this exciting journey of learning and business development.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 0 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

CONTENTS

ADMIN AND HOUSEKEEPING.....	3
HOW TO USE THIS GUIDE.....	4
OVERVIEW.....	5
MODULE 1: MANAGING YOUR BUSINESS FINANCES	7
UNIT STANDARDS IN THIS MODULE	8
119674.....	8
MANAGE FINANCES FOR A NEW VENTURE.....	8
MODULE 1 - PART 1.....	8
MODULE 1 - PART 2.....	20
MODULE 1 - PART 3.....	28
MODULE 1 - PART 4.....	38
LEARNING ACTIVITY 1:.....	42
SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119674	42
MODULE 2: HOW TO TENDER.....	42
UNIT STANDARDS IN THIS MODULE	44
119712.....	44
TENDER FOR BUSINESS OR WORK IN A SELECTED NEW VENTURE.....	44
MODULE 2 - PART 1.....	44
MODULE 2 - PART 2.....	59
MODULE 2 - PART 3.....	72
LEARNING ACTIVITY 2:.....	77
SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119712	77
MODULE 3: MARKETING YOUR BUSINESS.....	78
UNIT STANDARDS IN THIS MODULE	79
119672.....	79
MANAGE MARKETING AND SELLING PROCESSES OF A NEW VENTURE	79
MODULE 3 - PART 1.....	79
MODULE 3 - PART 2.....	94
MODULE 3 - PART 3.....	102
MODULE 3 - PART 4.....	110
LEARNING ACTIVITY 3:.....	122
SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119672	122
MODULE 4: PRODUCING A BUSINESS PLAN	123
UNIT STANDARDS IN THIS MODULE	124
119670.....	124
PRODUCE A BUSINESS PLAN FOR A NEW VENTURE.....	124
MODULE 4 - PART 1.....	125
MODULE 4 - PART 2.....	133
MODULE 4 - PART 3.....	137
MODULE 4 - PART 4.....	141

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 1 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

LEARNING ACTIVITY 4:	164
SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119670	164
MODULE 5: ETHICS AND HR MANAGEMENT	165
UNIT STANDARDS IN THIS MODULE	166
113924.....	166
APPLY BASIC BUSINESS ETHICS IN A WORK ENVIRONMENT	166
MODULE 5 - PART 1.....	166
MODULE 5 - PART 2.....	170
MODULE 5 - PART 3.....	173
MODULE 5 - PART 4.....	178
UNIT STANDARDS IN THIS MODULE	186
119713.....	186
APPLY BASIC HR PRINCIPLES IN A NEW VENTURE	186
MODULE 5 - PART 5.....	186
MODULE 5 - PART 6.....	194
MODULE 5 - PART 7.....	204
MODULE 5 - PART 8.....	212
LEARNING ACTIVITY 5:	219
SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 113924	219
LEARNING ACTIVITY 6:	219
SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119713	219

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 2 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

ADMIN AND HOUSEKEEPING

This Program is designed to be completed as a distance Learning program, but may also be an in-house facilitation programme. Due to the need for clarification on the process involved in this program please follow the following steps:

1. You are required to complete and sign ***all contracts and agreements*** related to this program
2. You are required to submit a ***letter of thanks to the mining company which has supported this program*** by financially providing for you to attend it
3. You need to go through your training toolkit and understand all of the parts of it.

*Please note *ED stands for Enterprise Development* and applies if you have not done any work with the mine which is funding this training. *SD stands for Supplier Development* and applies if you have done work for the mine which is providing this training.

ALL MEDIA, INCLUDING PICTURES, AUDIO FILES, VIDEOS AND LOGOS THAT MAY BE FOUND IN THE LEARNING MATERIAL OR PRESENTATIONS IS THE PROPERTY OF THE SOURCES THAT HAVE BEEN ACKNOWLEDGED IN THE BODY OF THE MATERIAL AND THE REFERENCE LISTS FOUND ON THE LAST PAGE OF EACH LEARNER GUIDE. ANY MATERIAL WHICH IS NOT SPECIFIED TO BE OWNED AND COPYRIGHTED BY PHAKAMANI IMPACT CAPITAL OR ITS AFFILIATES OR CLIENTS, IS THE PROPERTY OF THE SOURCES WHICH HAVE BEEN LISTED AND DO NOT BELONG TO PHAKAMANI, ITS AFFILIATES OR ITS CLIENTS.

IMPORTANT INFORMATION ON THE SKILLS PROGRAM

1. Your **LEARNING TOOLKIT** consists of
 - a. This **LEARNER GUIDE** which is the learning material
 - b. The **LEARNER WORKBOOK** which is the guide you will complete and submit as part of your Portfolio of Evidence (Formative and Summative Assessments)
 - c. Slides / Presentations and videos which are included to help you in this course
 - d. Contact with your facilitator on social media platforms and one on one in distance learning
2. If you ***DO NOT*** wish to obtain the credits for this skills program, you ***DO NOT NEED TO SUBMIT A POE***
3. If you wish to obtain the credits for this skills program ***ALL REQUIRED DOCUMENTATION MUST BE SUBMITTED AND FORMATIVE AND SUMMATIVE ASSESSMENTS MUST BE SIGNED. SHOULD YOU NOT SIGN AND SUBMIT ALL THAT IS REQUIRED, ON TIME, YOUR POE WILL NOT BE ACCEPTED AND SUBMITTED FOR ASSESSMENT.***
4. The Notional Hours and the timelines for submission must be followed. If you do not submit your POE and required documentation in time you will need to **APPLY FOR LATE SUBMISSION.**

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 3 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

HOW TO USE THIS GUIDE

This Learner Guide belongs to you. It is designed to serve as a guide for the duration of your training programme and as a resource for you. It contains readings, activities, and application aids that will assist you in developing the knowledge and skills stipulated in the specific outcomes and assessment criteria. Follow along in the guide as the facilitator takes you through the material, and feel free to make notes and diagrams that will help you to clarify or retain information. Jot down things that work well or ideas that come from the group. Also, note any points you would like to explore further. Participate actively in the skill practice activities, as they will give you an opportunity to gain insights from other people's experiences and to practice the skills. Do not forget to share your own experiences so that others can learn from you too.

ICONS

For ease of reference, an icon will indicate different activities. The following icons indicate different activities in the manual.

	SPECIFIC OUTCOME		DEFINITION
	ASSESSMENT CRITERIA		LEARNING ACTIVITIES
	COURSE MATERIAL		TAKE NOTE
	REFLECTION		SUMMARY

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 4 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

OVERVIEW

PURPOSE	At the end of this training session you will have achieved the Learning Outcomes
LEARNING ASSUMPTIONS	GRADE 9 PASS
HOW YOU WILL LEARN	The programme methodology includes facilitator presentations, readings, individual activities, group discussions, and skill application exercises, self-reflection and distance learning
HOW YOU WILL BE ASSESSED	This programme has been aligned to registered unit standards. You will be assessed against the outcomes of the unit standards by completing a knowledge assignment that covers the essential embedded knowledge stipulated in the unit standards. When you are assessed as competent against the unit standards, you will be awarded credits for competencies.
FORMATIVE ASSESSMENT	In each Learner Guide, several activities are spaced within the content to assist you in understanding the material through application. Activities in the learner manual are not for assessments. Formative assessments are in a separate module written formative assessment. Please make sure that you complete ALL assessments in the Learner Workbook.
SUMMATIVE ASSESSMENT	<p>You will be required to complete a Portfolio of Evidence for summative assessment purposes. A portfolio is a collection of different types of evidence relating to the work being assessed. It can include a variety of work samples.</p> <p>The Workbook will assist you in identifying the portfolio and evidence requirements for final assessment purposes. You will be required to complete Portfolio assessments on your own time, using real life projects in your workplace environment in preparing evidence towards your portfolio.</p>

Being Declared Competent Entails:

Competence is the ability to perform whole work roles, to the standards expected in employment, in a real working environment.

There are three levels of competence:

Foundational competence: an understanding of what you do and why.

Practical competence: the ability to perform a set of tasks in an authentic context.

Reflexive competence: the ability to adapt to changed circumstances appropriately and responsibly, and to explain the reason behind the action.

To receive a certificate of competence and be awarded credits, you are required to provide evidence of your competence by compiling a portfolio of evidence, which will be assessed by a Services SETA accredited assessor.

You Have to Submit a Portfolio of Evidence

A Portfolio of Evidence is a structured collection of evidence that reflects your efforts, progress and achievement in a specific learning area, and demonstrates your competence.

The Assessment of Your Competence

Assessment of competence is a process of making judgments about an individual's competence through matching evidence collected to the appropriate national standards. The evidence in your portfolio should closely reflect the outcomes and assessment criteria of the unit standards of the learning programme for which you are being assessed.

To determine a candidate's knowledge and ability to apply the skills before and during the learning programme, formative assessments are done to determine the learner's progress towards full competence. This normally guides the learner towards a successful summative (final) assessment to which both the assessor and the candidate only agree when they both feel the candidate is ready.

Should it happen that a candidate is deemed not yet competent upon a summative assessment, that candidate will be allowed to be re-assessed. The candidate can, however, only be allowed two reassessments.

When learners have to undergo re-assessment, the following conditions will apply:

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 5 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Specific feedback will be given so that candidates can concentrate on only those areas in which they were assessed as not yet competent.

Re-assessment will take place in the same situation or context and under the same conditions as the original assessment.

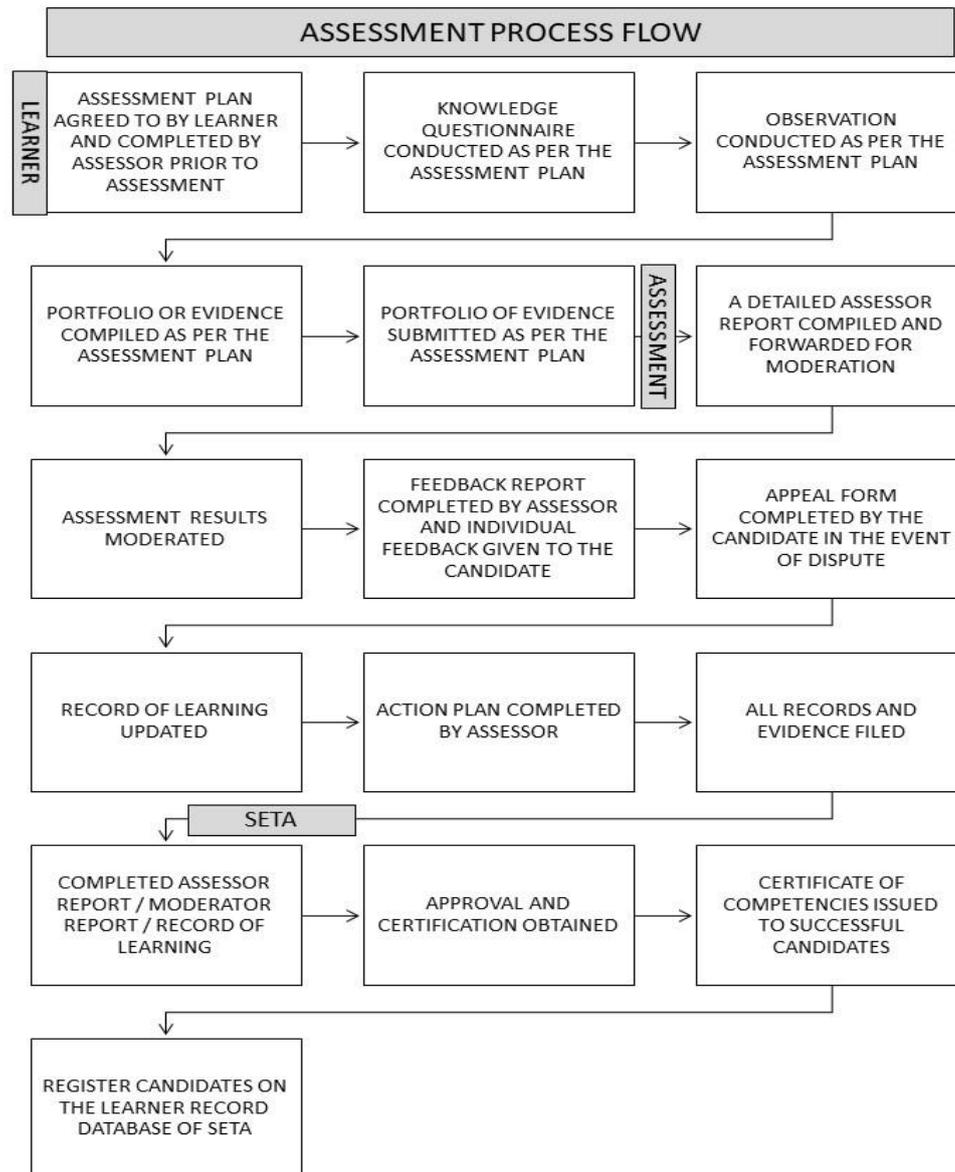
Only the specific outcomes that were not achieved will be re-assessed.

Candidates who are repeatedly unsuccessful will be given guidance on other possible and more suitable learning avenues.

In order for your assessor to assess your competence, your portfolio should provide evidence of both your knowledge and skills, and of how you applied your knowledge and skills in a variety of contexts.

The Workbook directs you in the activities that need to be completed so that your competence can be assessed and so that you can be awarded the credits attached to the programme

NOTE: YOUR POE GUIDE HAS MORE INFORMATION ON THE ASSESSMENT PROCESS



 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 6 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

MODULE 1: MANAGING YOUR BUSINESS FINANCES

MODULE 1: LEARNING OUTCOMES

EXPLAIN FINANCIAL CONTROLS FOR MANAGING A BUSINESS
The necessity of banking and banking accounts are discussed with examples of the consequences of not having them
Skills for interpreting bank statements and operating banking accounts are explained with examples
The various types of accounts are identified and explained in relation to own business venture
Financial concepts and principles are related to own business venture
IDENTIFY AND APPLY ACCOUNTING PRACTICES AND PROCEDURES
Accounting systems are explained with reference to own venture
Suitable accounting support structures are identified in accordance with own business requirements
Taxation requirements required in the administration of finances are explained in relation to own venture and controls for managing these requirements are identified to ensure that legislative regulations are adhered to
The elements of an income and expenditure statement are analysed in relation to own business venture
The elements of a cash flow statement are explained in relation to own business venture
Payment terms and procedures relating to liabilities are identified and implemented accordingly
MANAGE BUSINESS ACCOUNTS AND MAINTAIN BUSINESS RECORDS
Books of account are identified for interpretation purposes
All records pertaining to all financial and related transactions are kept and stored for input into books of account
Key issues pertaining to books of accounts are discussed and explained in relation to own business venture
Books of accounts are kept on a monthly basis to ensure effective financial management of business venture
UTILISE FINANCIAL STATEMENTS TO IDENTIFY BUSINESS PROGRESS
The elements of an income and expenditure statement are analysed in relation to own business venture
Income and expenditure statement is compared to cash flow statement
Profit/loss is ascertained accordingly to determine financial progress of business
Financial records are compared to business plans to determine whether business objectives are being met, and problem areas are rectified accordingly

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 7 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 1: MANAGE YOUR BUSINESSES FINANCES

UNIT STANDARDS IN THIS MODULE	119674	MANAGE FINANCES FOR A NEW VENTURE
	EXPLAIN FINANCIAL CONTROLS FOR MANAGING A BUSINESS	SO 1
	IDENTIFY AND APPLY ACCOUNTING PRACTICES AND PROCEDURES	SO 2
	MANAGE BUSINESS ACCOUNTS AND MAINTAIN BUSINESS RECORDS	SO 3
	UTILISE FINANCIAL STATEMENTS TO IDENTIFY BUSINESS PROGRESS	SO 4
	The necessity of banking and banking accounts are discussed with examples of the consequences of not having them.	SO 1 AC 1
	Skills for interpreting bank statements and operating banking accounts are explained with examples	SO 1 AC 2
	The various types of accounts are identified and explained in relation to own business venture.	SO 1 AC 3
	Financial concepts and principles are related to own business venture.	SO 1 AC 4
	Accounting systems are explained with reference to own venture.	SO 2 AC 1
	Suitable accounting support structures are identified in accordance with own business requirements.	SO 2 AC 2
	Taxation requirements required in the administration of finances are explained in relation to own venture and controls for managing these requirements are identified to ensure that legislative regulations are adhered to.	SO 2 AC 3
	The elements of an income and expenditure statement are analysed in relation to own business venture.	SO 2 AC 4
	The elements of a cash flow statement are explained in relation to own business venture.	SO 2 AC 5
	Payment terms and procedures relating to liabilities are identified and implemented accordingly.	SO 2 AC 6
	Books of account are identified for interpretation purposes.	SO 3 AC 1
	All records pertaining to all financial and related transactions are kept and stored for input into books of account.	SO 3 AC 2
	Key issues pertaining to books of accounts are discussed and explained in relation to own business venture.	SO 3 AC 3
	Books of accounts are kept on a monthly basis to ensure effective financial management of business venture.	SO 3 AC 4
	The elements of an income and expenditure statement are analysed in relation to own business venture.	SO 4 AC 1
	Income and expenditure statement is compared to cash flow statement.	SO 4 AC 2
Profit/loss is ascertained accordingly to determine financial progress of business.	SO 4 AC 3	
Financial records are compared to business plans to determine whether business objectives are being met, and problem areas are rectified accordingly.	SO 4 AC 4	

MODULE 1 - PART 1

	EXPLAIN FINANCIAL CONTROLS FOR MANAGING A BUSINESS	SO 1
	The necessity of banking and banking accounts are discussed with examples of the consequences of not having them.	SO 1 AC 1
	Skills for interpreting bank statements and operating banking accounts are explained with examples	SO 1 AC 2
	The various types of accounts are identified and explained in relation to own business venture.	SO 1 AC 3
	Financial concepts and principles are related to own business venture.	SO 1 AC 4

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 8 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

INTRODUCTION

Finance and accounting systems help drive business performance by efficiently handling a multitude of daily transactions, sharing valuable information hidden in transactional data, and adapting processes fluidly as business conditions and regulatory environments change.

Financial Management Systems enables business integrates and streamline financial resources and processes. By doing so, they achieve a reliable, apples-to-apples view of financial performance across the entire enterprise, as well as the flexibility and control necessary for adapting to the demands of even the most challenging business environment. An effective Financial Management system will ensure that the business:

- ✓ Reduce transaction costs
- ✓ Shorten process cycle times
- ✓ Achieve data consistency
- ✓ Enforce global financial standards and processes
- ✓ Improve financial transparency

IMPORTANCE OF MANAGING YOUR FINANCES

Financial management is about planning income and expenditure, and making decisions that will enable you to survive financially.

Financial management includes:

- financial planning and budgeting
- financial accounting
- financial analysis
- financial decision-making
- financial problem solving
- Financial planning

Financial planning is about:

- Making sure that the organisation can survive
- Making sure the money is being spent in the most efficient way
- Making sure that the money is being spent to fulfil the objectives of the organisation
- Being able to plan for the future of the organisation in a realistic way.

FINANCIAL ACCOUNTABILITY

Financial accountability means having to account for the way money is spent in the business.

- Being able to account for the way the money is spent to:
 - boards and committees
 - members, and
 - the people whom the money is meant to benefit

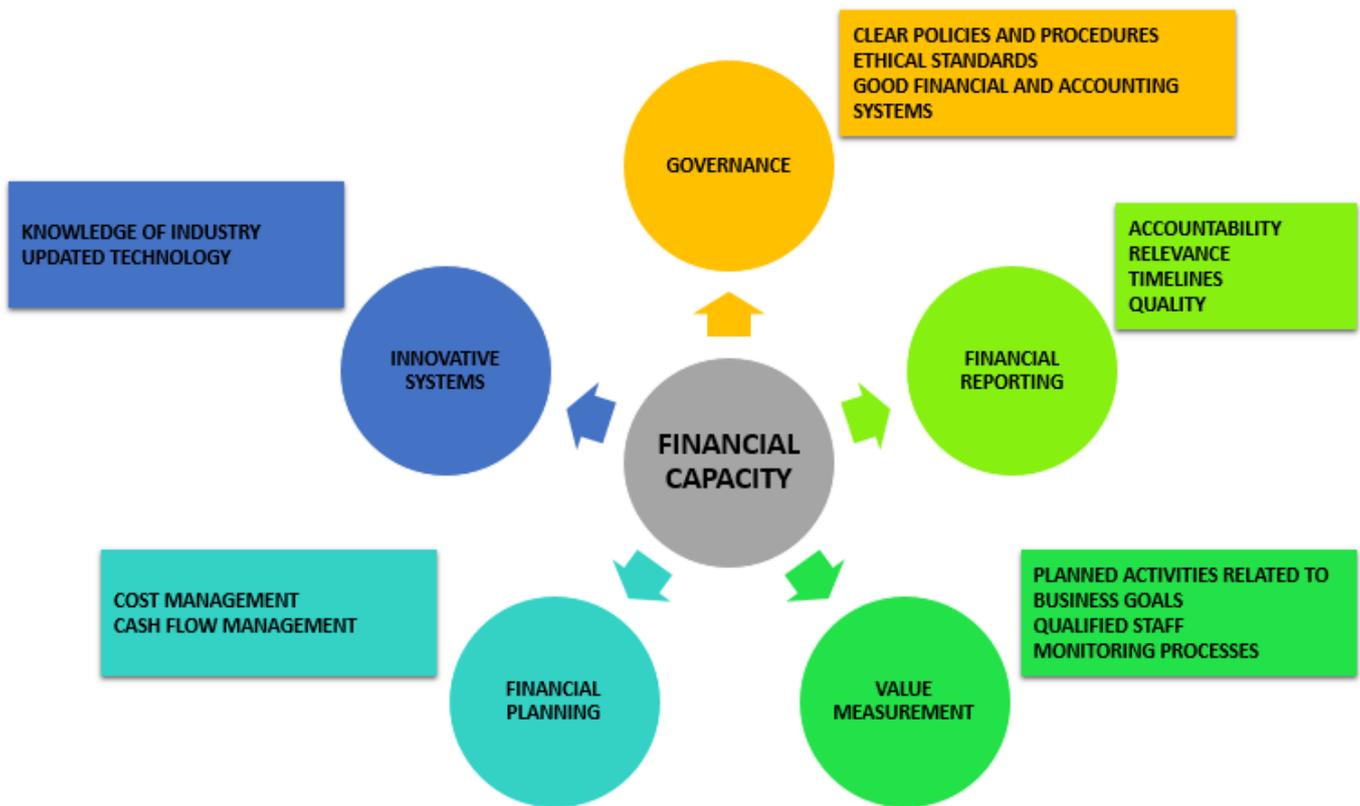
FINANCIAL RESPONSIBILITY

Managing finances also include meeting all obligations required such as:

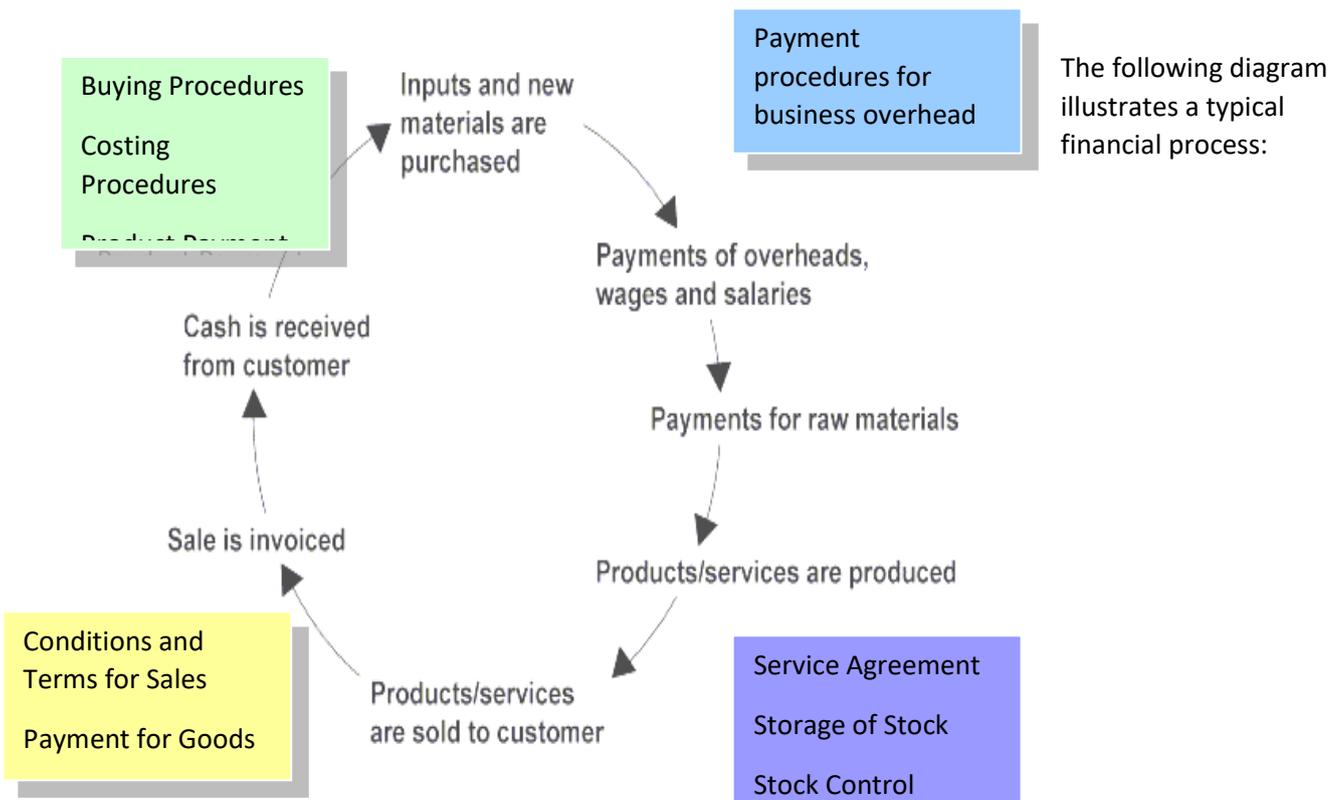
- ✓ Paying staff and accounts on time
- ✓ Keeping proper records of the money that comes into the organisation and goes out of the organisation

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 9 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Financial Capacity is the essence of financial management and is summarised in the following diagram:



TYPICAL FINANCIAL PROCESSES



 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 10 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

FINANCIAL CONCEPTS AND PRINCIPLES

The key financial concepts and principles that apply to new ventures include the following:

1. START-UP CAPITAL

Start-up capital is the money needed to begin your business. This would include everything essential for product development and the product launch. Before going after start-up capital make sure you know how much money you need, and then how you will apply those funds. Being as specific as possible with the plans for the money will increase the likelihood that your business will get financed.

Other factors needed before going after start-up capital is a business plan that spells out everything about your business. Make sure that you spend some extra time on the Executive Summary of your business plan. This will be the first part of the plan that lenders look at, and it also summarizes all aspects of your business plan. If it doesn't grab the attention of the lender your business plan will not get read which means you won't get the business financing you are seeking. Other things to consider before going after any capital is that your business has an established business bank account and your business should be able to be found by the business 411 directory.

2. WORKING CAPITAL

Working capital is the amount of money that a company has tied up in funding its day to day operations. It is regarded as the lifeblood of a business without which, a company can become bankrupt. A company has to tie up money to fund its stocks, credit sales and other current assets, but this is offset by its ability to fund this from current liabilities liabilities, such as purchases on credit. If a company buys on credit it does not have to tie up (as much) money in its stocks. In some businesses (such as grocery retail) working capital can even be negative. A business that buys on credit and sells for cash is being partly funded by its suppliers.

3. CASH FLOW MANAGEMENT

Cash flow management is the process of monitoring, analysing, and adjusting your business' cash flows. For small businesses, the most important aspect of cash flow management is avoiding extended cash shortages, caused by having too great a gap between cash inflows and outflows. You won't be able to stay in business if you can't pay your bills for any extended length of time!

Therefore, you need to perform a cash flow analysis on a regular basis, and use cash flow forecasting so you can take the steps necessary to head off cash flow problems. Many software accounting programs have built-in reporting features that make cash flow analysis easy. This is the first step of cash flow management.

The second step of cash flow management is to develop and use strategies that will maintain an adequate cash flow for your business. One of the most useful strategies for small businesses is to shorten your cash flow conversion period so that your business can bring in money faster.

BANKING AND BANKING ACCOUNTS



A bank is a financial institution that accepts deposits and channels those deposits into lending activities. Banks primarily provide financial services to customers while enriching investors.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 11 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

TYPES OF BANKS

There are several types of banks in the world, and each has a specific role and function - as well as a domain - in which they operate. In broad strokes, banks may be divided into several groups on the basis of their activities and these include investment banks, retail, private, business, and also corporate banks. Many of the larger banks have multiple divisions covering some or all of these categories.

1. Retail banks deal directly with consumers and small business owners. They focus on mass market products such as current and savings accounts, mortgages and other loans, and credit cards.
2. Private Banks normally provides wealth management services to high net worth families and individuals.
3. Business banks provide services to businesses and other organizations that are medium sized, whereas the clients of corporate banks are usually major business entities.
4. Investment banks provide services related to financial markets, such as mergers and acquisitions.
5. Offshore banks operate in areas of reduced taxes, as compared to the country in which the investor lives in. This is why most offshore banks are private banks.
6. Community banks are monetary organizations operated on a local basis, while community development banks cater to the populations, or markets, which have typically not been served properly.
7. Postal savings banks are basically savings banks that operate in conjunction with the national postal systems of South Africa. It targets the low income earners in the society
8. Building societies where traditionally mutually owned by their customers, which provide a full range of retail banking services, but with a particular focus on mortgages.

TYPES OF BANK ACCOUNTS



"We can give you a 12% rate if you never withdraw it."

There are different types of banking accounts offered by banks. The following are the most common ones.

BASIC BANK ACCOUNTS (SAVINGS ACCOUNT)

Basic bank accounts offer a convenient place to keep money you need for everyday use. You can arrange to have wages, State Pension and benefits or tax credits paid into one. You can also pay in cheques or cash free of charge, and set up 'direct debits' which pay regular bills automatically from your account.

With a basic bank account, you get a cash card which you can use at a bank machine to withdraw cash. Some also offer a 'debit card' that you can pay for items with, and get 'cashback'; but with a basic account these will only work if there's enough money in your account.

You don't get a cheque book with a basic bank account, and you can't take out more money than is in the account ('go overdrawn'). For this reason, basic bank accounts are useful for anyone worried about overspending.

CURRENT ACCOUNTS

Current accounts have more features than basic bank accounts. For example, they usually offer:

- cheque book
- cheque guarantee card (acts as a 'guarantee' so makes cheques more widely acceptable)
- debit card (some allow payments without checking your account)
- direct debits (automatic bill payments direct from your account)
- standing orders (regular set payments from your account to someone of your choice)

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 12 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

- BACS (Bankers' automated clearing service) - the facility to accept payments directly into your account (e.g from your employer), or for you to make one-off payments to someone else out of the account
- overdraft facility - the bank may allow you to go overdrawn up to a certain amount; but you need to arrange this in advance and charges apply (you pay extra charges if you go overdrawn without an agreement)

THE IMPORTANCE OF A BANK ACCOUNT TO A BUSINESS

Many small business owners avoid or do not pay too much attention when considering whether to open up a bank account in their business name. They make the mistake of using their personal account to carry out their business transactions, just so they can save a small amount of money required to open a new business bank account. The following are some of the importance of a bank account to a business:

GIVES THE BUSINESS A PROFESSIONAL IMAGE

A business account gives your business a more professional look when dealing with your customers or clients. Using your personal account for business purposes gives the impression you are not really serious regarding your business and it is more like a hobby.

IT MAKES IT EASY WHEN PREPARING BUSINESS ACCOUNTS

Having a separate business account proves to be beneficial when you need to complete the accounts for the business and any related tax returns. Indeed, you can quickly check the income and expenses for the year, rather than having the hassle of separating your personal and business transactions if you only have a personal account.

IT HELPS TO SHOW TRANSPARENCY OF THE BUSINESS TO AUTHORITIES

Another good reason to have a business bank account is to show the tax authorities that your business is transparent in terms of the financial transactions it carries out. All the income and expenses should be accounted for through the business account. Thus, if SARS Customs & Revenue want to look at your records, this will demonstrate that you are declaring all your income and only claiming expenses related to business.

THE BANK ACCOUNT GIVES THE BUSINESS ACCESS WITH ADDITIONAL PERKS AND FACILITIES

Opening a company account with a bank also has other additional perks. For example, you can usually obtain free banking for at least a year as a new business. Also some banks even offer new clients special deals on accounting software to use in their businesses. Lastly, it may be easier for you to obtain a business overdraft or loan if you have a company bank account.

Some entrepreneurs are put off from opening a business bank account because they think it will be complicated in terms of the formalities and legalities. This is a misconception as it is very easy to open a bank account most of the time.



A few points that one needs to keep in mind while opening a business accounts are:

- ✓ The account maintenance fee
- ✓ Different transaction modes available e.g. online banking, debit card etc.
- ✓ Overseas transaction charges
- ✓ Interest rate charges

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 13 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MINIMAL BALANCE THAT YOU NEED TO MAINTAIN

A company bank account may initially seem to be an extra overhead on your business, but the amount paid will be worth in terms of the time and money you will save by not having to separate out your business transactions from your personal transactions. Having a business bank account also sends a clear message to other businesses you deal with and the tax authorities that you are a proper business with nothing to hide.

OPERATING A BUSINESS ACCOUNT

It is critical to keep track of funds in the bank account (e.g. by checking your bank statement and recording the balance of funds available at any point). It is important to monitor Direct Debits, Standing Orders etc for accurate recording of receipts and payments from the bank account.

CHEQUES

You should issue a cheque for payment only if you are certain that sufficient funds are available in the account to meet the payment. The bank is most likely to return the cheque by not honouring if sufficient funds are not available in the account. It is paramount to make prior arrangements with the bank for temporary overdrafts where there are gaps in meeting financial commitments. The golden rule is not to issue cheques unless sufficient funds are available in the account after taking into account all the payments channelled through the account including bank charges.

It is also critical to recognize that cheques issued by others and deposited to your account would not be regarded as funds available until such time the said cheque has been realized and recorded in your bank account as a receipt. This is part of the clearing process delay and varies depending on the issuing bank, branch, couriering timings, central clearing timings etc.

STATEMENTS

The banks issue periodic statements for your accounts showing all the transactions through the account. The period for which the statements are issued depends on the type of account and your needs. It is customary to issue monthly statements for current accounts and the customer could request for the preferred timing for statements. The bank may levy a charge for special requests of customers. It is advisable to check the bank statements for accuracy. Mistakes are rare but may occur. The bank should be informed promptly for any inaccuracies. If a cheque guarantee card is given, it is advisable to keep in a safe place separate from the cheque book

LEGITIMACY

Further the bank is legally required to take steps in ensuring that transactions undertaken by the customers through the bank account do not contravene the law. Money laundering is a matter of serious concern to regulators and therefore the banks are required to be vigilant. For this purpose, it is not uncommon for banks to seek verification from customers with regard to unusual transactions as a step towards protecting against unlawful conduct. The regulators / state authorities are generally given statutory rights to have access to information about bank accounts of customers and transactions. Therefore, customers must ensure that bank accounts are only used for legitimate transactions

BANK CHARGES

It is also advisable to check the basis on which charges are levied against any account for facilities offered. Financial institutions thrive on levying various forms of charges though they appear small to an individual customer, in aggregation the amounts run into billions. These are hard earned money of individuals just taken off by financial institutions due to ignorance or carelessness of customers.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 14 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

The banks are in a unique position and do not need to obtain your consent for levying charges. The agreement for opening a bank account / securing facilities would generally give the bank the right to levy charges to the account and there is no legal requirement to consult the customer. The bank would automatically charge the account for any dues even if funds are not available in the account for recovery. Thereafter, the bank would levy further charges for overdrawing the account. Sadly, the bases of arriving at the figures are never disclosed in the statements.

The basis of computing charges and interest vary from, bank to bank. Further, factors such as credit rating, overall market rates, duration, type of facilities required etc, will have a bearing on the charges / interest levied. For example, the overdraft rate is linked to the risk level of the customer and the bank's cost of funds. High Street banks today offer an extensive range of financial products/services. Bank accounts, credit cards, loans, bonds, insurance, savings, investments, pensions, travel, shares dealings are some of the facilities that could be obtained from a High Street banker.

ONLINE AND TELEPHONE BANKING

Many banks today offer on line facilities for managing bank accounts which means 24-hour banking. Telephone banking is generally limited to extended office hours. There are claims that the security issues on internet banking are weak and therefore banks are exposing customers to risks of hacking. It is understood that teething problems at infancy stages are part and parcel of new concepts and systems implemented. However, benefits accruing from online facilities outweigh such drawbacks. Customers must support and commend the efforts taken by financial institutions to invest and promote the concepts that are likely to change the way financial products would be used for betterment of our lives.

There is no doubt that the facility offered to operate a bank account from a location and time of your choice is a major breakthrough in managing our finances. The customers must encourage growth of online facilities to enhance competition, efficiency and effectiveness of markets to a scale that boundaries are broken for the benefit of all.

SAFETY TIPS WHEN OPERATING A BANKING ACCOUNT



Whenever people use banks they must be careful not to fall in the hands of thieves. The following are some of the safety tips when using different forms of banking.

HANDY TIPS WHEN CARRYING CASH FROM A BANK

1. When withdrawing large cash amounts make sure that you are escorted by one or two friends.
2. Do not accept help from strangers, rather ask the bank personnel.
3. Always ensure that there is an acceptable distance between you and other bank clients.
4. When you are in a bank and the bank is being robbed, follow the orders of the robbers (do not confront the robbers by apprehending them).

HANDY TIPS TO KEEP IN MIND WHEN USING ATMS:

- Choose your ATMs carefully – make sure it's clearly visible and well lit
- Don't let anyone distract or assist you when you are using the ATM
- Be wary of strangers around you, make sure that they are not watching you key in your PIN
- Key in your PIN only when prompted to do so by the screen
- Use your free hand as a shield when keying in your PIN (to protect you from secret cameras)
- Do not count your money at the ATM

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 15 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

INTERNET BANKING SAFETY TIPS

1. When accessing your account through the internet make sure that you verify the site certificate.
2. Ensure that you are on the secure Internet banking website by checking that the URL begins with "https" rather than "http".
3. Always ensure the secrecy of your Profile number, PIN and Password.
4. Your digital banking profile number is not a derivative of any of your bank account numbers.
5. Never disclose your PIN number and Password to anyone. This information is stored in a manner that bank employees cannot access.
6. Make sure that your logoff and close your browser after banking online.
7. As an added security measure, some banks make use of a cryptographic generated reference number which is sent to you via an SMS on your mobile phone. This feature ensures two-factor authorisation when performing selected functions.
8. Check your statements regularly for any unauthorised entries.

GENERAL TIPS

1. Check that the card is actually yours before and after a transaction
2. If only one ATM is working in a specific area be conscious of the fact that the others could have been sabotaged to direct, you to that one
3. Set a low daily and monthly withdrawal limit on your account, but note that this limit is not always applicable to purchases
4. Cancel your card immediately if it is lost, stolen or retained by an ATM
5. Immediately report your lost or stolen cards to your bank and police
6. Safe use of Personal Identification Numbers (PINs), passwords and credit cards
7. The bank tells its clients to be careful about tearing up the PIN that they send you with a new card. But did you know that there are more things that you can do to protect your number and ensure that nobody tries to use your account? Debit cards are very attractive to would-be thieves because immediate cash is always more desirable than goods on a credit card. Here are some additional, simple steps for you to take to protect your PIN (personal identification number)

STEPS IN SAFEGUARDING YOUR PIN NUMBER

1. Never share the PIN. It might be tempting to trust a friend or a family member with your PIN but it is not a good idea
2. Never give out your PIN in response to e-mail or telephone requests
3. Shield your PIN when using it. Use your hand, a piece of paper etc. to shield the PIN as you enter it into a bank machine or a store machine. Be especially vigilant in store queues, where somebody may be paying more attention than you. Also, be wary of "card skimmers" at ATMs
4. Choose a PIN password that is not obvious. Your birth date, wedding anniversary, phone number and home address are obvious picks, so just do not use them. Instead, think of numbers unrelated to major events and addresses in your life to create your PIN
5. Do not write your PIN down on the card, ever. Do not even write it in a diary. If you must write it down, disguise it in some way or put it somewhere totally unrelated to the card, such as in the middle of Shakespeare's Complete Works
6. Vary your PIN on different cards. Don't keep the same PIN for all your cards. Have a different PIN for each one, so that if you do happen to lose your wallet, it will be much harder for the PINs to be cracked

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 16 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

7. Contact your bank immediately if your card is stolen or lost. Tell them immediately if you think that there is anything that may compromise your PIN, such as an easy PIN, other ID in your wallet making it easy to work out or, horror of all horrors, the PIN being written down somewhere in the wallet or on the card. Get the bank to cancel the card immediately
8. Be proactive. If you suspect any fraudulent activity using a card still in your possession, apart from notifying the bank and the police, have your PIN changed immediately

UNDERSTANDING THE BANK STATEMENT

The bank statement is a handy way of seeing all your incomings and your outgoings at once. It's definitely a good idea to open and read your bank statements so you can check you've received what you expected, and that you recognise all the payments going out too. We'll help you to understand how to read and make sense of your bank statement.

Your bank statement might be sent monthly, quarterly or yearly, depending on what type of account you have. Have a look at the table below for a simple explanation:

TYPE OF ACCOUNT	FREQUENCY OF STATEMENTS	REASON
CURRENT	EVERY MONTH	MONEY GOING IN AND OUT REGULARLY
SAVINGS	EVERY 3 MONTHS OR QUARTERLY	NOT MANY PAYMENTS OUT

You'll probably get your statement through the post, but if you bank online, you can also access it on the internet, and possibly opt out of receiving paper statements.

Your statement will show all the money in and out for your account during the set period (monthly or otherwise). The details will include the date, amount and an identifier for the payment (such as a shop name for purchases). For benefits, the identifier could be the Department for Work and Pensions, Jobcentre Plus or HM Revenue and Customs, or your local council if it's housing benefit.

Here's our handy example of a bank statement showing the kinds of things you'll see. Yours might look a bit different, but the same kind of information will be on there.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 17 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

EXAMPLE BANK STATEMENT

YourDosh Bank
16 High Street, Anytown, Anyshire YZ99 1XY

Account name: **Mr John Smith**
Sort code: **53-61-33**
Account number: **99988877**

Your current account statement:
1 February to 1 March 2011

Page 1 of 1

1 Mr John Smith
5 Any Road
Randomford
Anyshire
YZ98 5XY

3 **Your account summary**

Balance at 1 February: £312.34
Total money in: £300.00
Total money out: £343.02
Balance at 1 March: £30.68 OD

Date	Description	Money out	Money in	Balance
Balance brought forward				312.34
1 February	Card payment – High St Petrol Station	24.50		287.84
	Direct debit – Green Mobile Phone Bill	20.00		267.84
3 February	Cash withdrawal – YourDosh, Anytown High Street, timed 17:30 31 Jan	30.00		237.84
8 February	Cheque 00068	22.95		214.89
11 February	BACS – KleanKars, ref JS5-999		300.00	514.89
16 February	Standing order – Rent to J Jones Cash withdrawal – WadBank, Randomford, timed 09.52 14 Feb	300.00		214.89
17 February	Card Payment – High St Petrol Station	40.00		67.14
	Direct debit – Home Insurance	23.00		44.14
19 February	Online transfer to A/C 1116932, Sort 01-92-10 ref: Mum	34.14		10.00
21 February	Card payment - QuidsGifts	15.00		5.00 OD
24 February	Balance carried forward			5.68 OD
28 February	Card payment - QuidsGifts	25.00		30.68 OD
1 March	Interest 29 Jan A/C 99988877	00.68		30.68 OD
	Charges 29 Jan A/C 99988877	25.00		30.68 OD
Balance carried forward				30.68 OD

WHAT DOES THIS MEAN?

1. YOUR PERSONAL INFORMATION

This is your name and permanent home address. Make sure it's right, and that you haven't got someone else's bank statement! It's really important to tell your bank if you move house, so they can safely and securely send any information about your account to you.

2. YOUR ACCOUNT INFORMATION

This will show the name you used to open your account with. In addition, it will show the type of account (such as a cheque or savings account or credit card). It will also show your account number and branch code. Your sort code is a six-digit number with dashes in (for example, 53-61-33) that helps the whole banking system identify which bank and local branch your account's based at.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 18 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

3. STATEMENT SUMMARY

You'll be shown a basic account summary, which will usually show the total amounts paid in and out during that month (or other period if it's a savings account). You can also see here that there's a closing balance – this means the balance of your account at the time the statement was sent out.

4. MONTHLY INCOMINGS AND OUTGOINGS

On your statement there will be two columns showing money paid into your account (credits) and one for money paid out (debits). Your statement will be ordered by date, so it'll show the oldest payments at the top, working down to the most recent. Next to each payment is also a description, which shows where you were when you made the payment (a shop or cash machine) or who you paid. There might also be standing orders or direct debits you've arranged. This information should also be available for the 'money in' section – it might say 'bank transfer' for your wages, 'counter credit' for cash or cheques you've paid in at your branch, refunds from shops, or automated payments made by the state to you, such as benefits.

Sometimes payments will show up on your statement a few days after you actually made them. For example, if you buy something with your debit card in a shop (or withdraw cash from a machine), it might not show up on your statement for a few days. This is because it takes time for payments to go through the banking system, especially over a weekend. When this happens, the actual date you made the purchase or cash withdrawal should be shown in the 'description' column.

In the far right column, you can see a running total, the 'balance'. This means the total you have in your account each day, as a result of money in and out of your account.

5. GOING OVERDRAWN

In your balance column, sometimes you'll see the letters OD or a minus sign next to the figure. This means your account's gone overdrawn and you've spent more money than you had in your account. So, if you had R10.00 in your account, but buy something on your debit card for R15.00, you'll go overdrawn by R5 ($R10 - R15 = -R5$). You'll have to pay this back to the bank, along with any interest and charges unless you have an interest-free overdraft. The longer you leave it to pay back your overdraft, the longer you'll be charged interest on it, and the harder you may find it to get out of your overdraft.

That's why it's really important not to become reliant on your overdraft it costs you more money in the long-term to borrow from the bank like this. It's a good idea to do all you can to stay in 'the black' (plus numbers) and get out of 'the red' (minus numbers). It could be a spiral into debt, so make sure you're not always right at the limit of your overdraft.

6. BANK CHARGES

If your account's gone overdrawn beyond your agreed limit, or you didn't have an agreed overdraft, the bank will charge you for 'unarranged borrowing'. They can also charge you if you pay in a cheque that bounces (that's when the other person doesn't have enough in their account to cover the amount they wrote the cheque for). Banks have to notify you before they take any money from your account for these charges.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 19 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 1 - PART 2

	IDENTIFY AND APPLY ACCOUNTING PRACTICES AND PROCEDURES	SO 2
	Accounting systems are explained with reference to own venture.	SO 2 AC 1
	Suitable accounting support structures are identified in accordance with own business requirements.	SO 2 AC 2
	Taxation requirements required in the administration of finances are explained in relation to own venture and controls for managing these requirements are identified to ensure that legislative regulations are adhered to.	SO 2 AC 3
	The elements of an income and expenditure statement are analysed in relation to own business venture.	SO 2 AC 4
	The elements of a cash flow statement are explained in relation to own business venture.	SO 2 AC 5
	Payment terms and procedures relating to liabilities are identified and implemented accordingly.	SO 2 AC 6
	Books of account are identified for interpretation purposes.	SO 3 AC 1

INTRODUCTION

In all activities (whether business activities or non-business activities) and in all organisations (whether business organisations like a manufacturing entity or trading entity or non-business organisations like schools, colleges, hospitals, libraries, clubs, churches, political parties) which require money and other economic resources, accounting is required to account for these resources. In other words, wherever money is involved, accounting is required to account for it. Accounting is often called the language of business. The basic function of any language is to serve as a means of communication. Accounting also serves this function.

DEFINITION OF ACCOUNTING



Accounting, is an information system is the process of identifying, measuring and communicating the economic information of an organisation to its users who need the information for decision making. It identifies transactions and events of a specific entity. A transaction is an exchange in which each participant receives or sacrifices value (e.g. purchase of raw material). An event (whether internal or external) is a happening of consequence to an entity (e.g. use of raw material for production). An entity means an economic unit that performs economic activities.

American Institute of Certified Public Accountants (AICPA) defines accounting as the art of recording, classifying and summarising in a significant manner and in terms of money, transactions and events, which are, in part at least, of a financial character and interpreting the results thereof.

OBJECTIVE OF ACCOUNTING

Objective of accounting may differ from business to business depending upon their specific requirements. However, the following are the general objectives of accounting.

To keep systematic record: It is very difficult to remember all the business transactions that take place. Accounting serves this purpose of record keeping by promptly recording all the business transactions in the books of account.

To ascertain the results of the operation: Accounting helps in ascertaining result i.e., profit earned or loss suffered in business during a particular period. For this purpose, a business entity prepares either a Trading and Profit and Loss account or an Income and Expenditure account which shows the profit or loss of the business by matching the items of revenue and expenditure of the same period.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 20 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

To ascertain the financial position of the business: In addition to profit, a businessman must know his financial position i.e., availability of cash, position of assets and liabilities etc. This helps the businessman to know his financial strength. Financial statements are barometers of health of a business entity.

To portray the liquidity position: Financial reporting should provide information about how an enterprise obtains and spends cash, about its borrowing and repayment of borrowing, about its capital transactions, cash dividends and other distributions of resources by the enterprise to owners and about other factors that may affect an enterprise's liquidity and solvency.

To protect business properties: Accounting provides up to date information about the various assets that the firm possesses and the liabilities the firm owes, so that nobody can claim a payment which is not due to him.

To facilitate rational decision-making: Accounting records and financial statements provide financial information which help the business in making rational decisions about the steps to be taken in respect of various aspects of business.

To satisfy the requirements of law: Entities such as companies, societies, public trusts are compulsorily required to maintain accounts as per the law governing their operations such as the Companies Act etc. Maintenance of accounts is also compulsory under the Income Tax Act.

USERS OF ACCOUNTING INFORMATION

Accounting information is important to the following person (s)

- Owners/ Shareholders
- Management
- Creditors
- Employees
- Investors
- Government
- Consumers
- Researchers

OWNERS: The owners provide funds or capital for the organisation. They possess curiosity in knowing whether the business is being conducted on sound lines or not and whether the capital is being employed properly or not. Owners, being businessmen, always keep an eye on the returns from the investment. Comparing the accounts of various years helps in getting good pieces of information.

MANAGEMENT: The management of the business is greatly interested in knowing the position of the firm. The accounts are the basis; the management can study the merits and demerits of the business activity. Thus, the management is interested in Financial Accounting to find whether the business carried on is profitable or not. The financial accounting is the “eyes and ears of management and facilitates in drawing future course of action, further expansion etc.”

CREDITORS: Creditors are the persons who supply goods on credit, or bankers or lenders of money. It is usual that these groups are interested to know the financial soundness before granting credit. The progress and prosperity of the firm, two which credits are extended, are largely watched by creditors from the point of view of security and further credit. Profit and Loss Account and Balance Sheet are nerve centres to know the soundness of the firm.

EMPLOYEES: Payment of bonus depends upon the size of profit earned by the firm. The more important point is that the workers expect regular income for the bread. The demand for wage rise, bonus, better working conditions etc.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 21 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

depend upon the profitability of the firm and in turn depends upon financial position. For these reasons, this group is interested in accounting.

INVESTORS: The prospective investors, who want to invest their money in a firm, of course wish to see the progress and prosperity of the firm, before investing their amount, by going through the financial statements of the firm. This is to safeguard the investment. For this, this group is eager to go through the accounting which enables them to know the safety of investment.

GOVERNMENT: Government keeps a close watch on the firms which yield good amount of profits. The state and central Governments are interested in the financial statements to know the earnings for the purpose of taxation. To compile national accounting is essential.

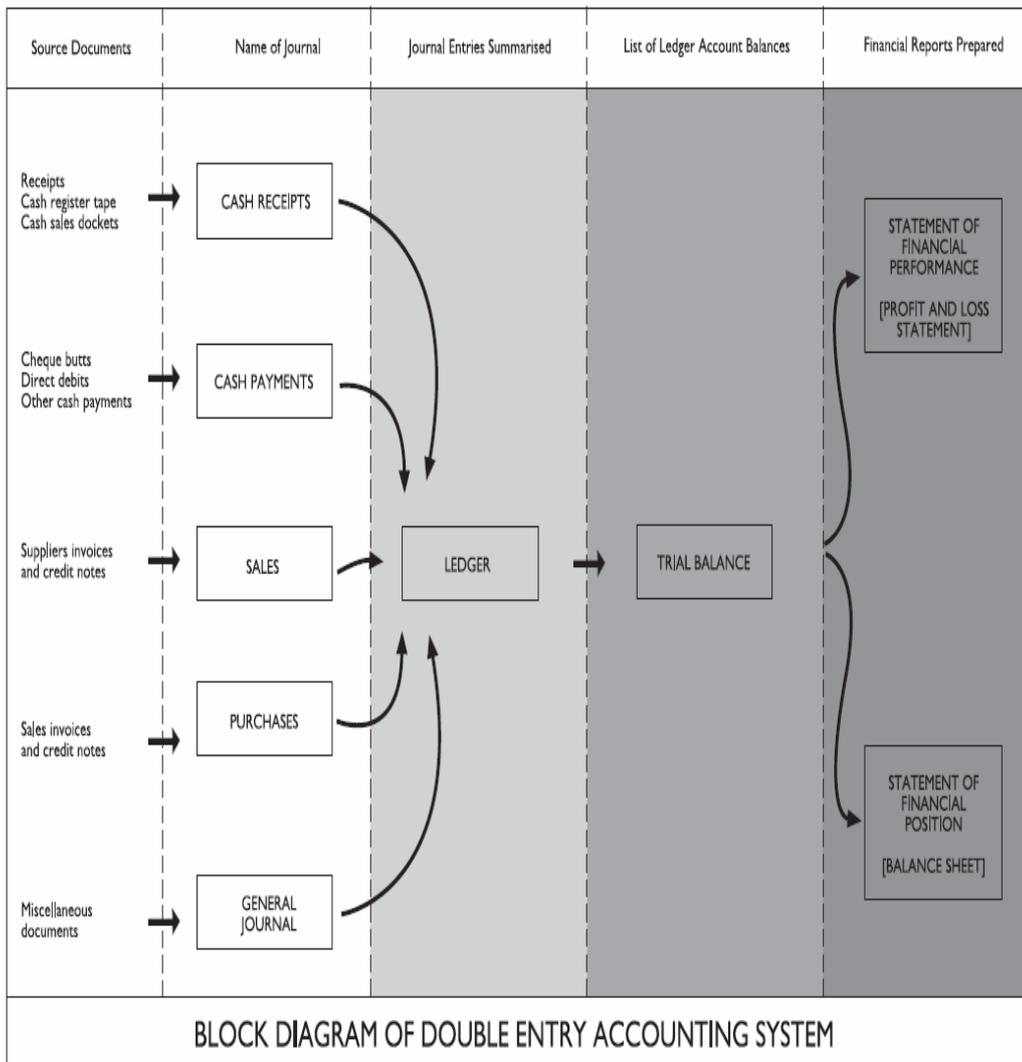
CONSUMERS: These groups are interested in getting the goods at reduced price. Therefore, they wish to know the establishment of a proper accounting control, which in turn will reduce to cost of production, in turn less price to be paid by the consumers. Researchers are also interested in accounting for interpretation.

RESEARCH SCHOLARS: Accounting information, being a mirror of the financial performance of a business organisation, is of immense value to the research scholar who wants to make a study into the financial operations of a particular firm. To make a study into the financial operations of a particular firm, the research scholar needs detailed accounting information relating to purchases, sales, expenses, cost of materials used, current assets, current liabilities, fixed assets, long-term liabilities and shareholders' funds which is available in the accounting record maintained by the firm.

ACCOUNTING SYSTEM

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 22 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

An accounting system is comprised of accounting records (cheque books, journals, ledgers, trial balances, and financial reports) and a series of processes and procedures in order for accounting transactions to be accurate. This picture shows the double entry accounting system.



SOURCE DOCUMENTS

INWARD INVOICE: This is the document sent by the suppliers of goods giving details of goods sent, price, value, discount etc. It is the basis for entries in purchases book.

OUTWARD INVOICE: This is a document sent by the firm to the customers, showing the details of goods supplied, their price and value, discounts etc., it is the basis for writing sales book.

DEBIT NOTE: It is a simple statement sent by a person to another person showing the amount debited to the account of the latter along with a brief explanation. A debit note is separate from an invoice and informs a buyer of current debt obligations. A debit note is also a document created by a buyer when returning goods received on credit. In the case of returned items, the note will show the credit amount, the inventory of the returned items, and the reason for the return.

CREDIT NOTE: It is nothing but a statement sent by one person to another person showing the amount credited to the account of the latter along with a brief explanation. A credit note (also known as credit memo) is issued to indicate a return of funds in the event of an invoice error, incorrect or damaged products, purchase cancellation or otherwise specified circumstance

CASH RECEIPTS AND VOUCHERS: These are the vouchers and receipts for cash received and paid. Entries in cash book are made on the strength of the vouchers and receipts. They are also useful for auditing purpose.

BOOKS OF ORIGINAL ENTRY

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 23 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

When the business transactions take place, the first step is to record the same in the books of original entry or subsidiary books or books of prime or journal. Thus journal is a simple book of accounts in which all the business transactions are originally recorded in chronological order and from which they are posted to the ledger accounts at any convenient time. Journalising refers to the act of recording each transaction in the journal and the form in which it is recorded, is known as a journal entry.

TYPES OF JOURNALS

The original entry becomes inadequate. Thus, the number and the number and type of journals required are determined by the nature of operations and the volume of transactions in a particular business. There are many types of journals and the following are the important ones:

- Sales Day Book (Sales Journal) - to record all credit sales.
- Purchases Day Book (Purchases Journal) - to record all credit purchases.
- Cash Book- to record all cash transactions of receipts as well as payments.
- General Journal-to record transactions on credit that do not enter into the sales and purchases ledger e.g. purchases of a motor vehicle on credit
- Once transactions have been entered into the subsidiary book of accounts, they must be posted to the ledger accounts using the double-entry accounting system.

BELOW IS AN EXAMPLE OF A JOURNAL

SALES JOURNAL 2002

Date	Particulars	L.F.	invoice number	Amount
Aug 15	D		20811	2,000
Aug 18	E		30991	1,500
Aug 22	F		29335	1,000
				3,500

LEDGER ACCOUNTS

A ledger contains summarized financial information that is classified by assignment to a specific account number using a Chart of Accounts. A ledger can be a physical book or software or spreadsheets where the financial information is recorded.

A General Ledger for instance contains a summary of all the information recorded in subsidiary ledgers, which are ledgers that break down and show more information according to classifications. Financial information for ledgers is taken from the company's journal. Below are examples of ledgers;

LEDGER

SALES A/C

Date	Particulars	Amount	Date	Particulars	Amount
			30 Aug	Debtors	3,500

D ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
Aug 15	Sales	2,000			

E. ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
Aug 18	sales	1,500			

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 24 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

F ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
Aug 22	sales	1,000			

TAXATION REQUIREMENTS

SARS is obligated by law to determine and collect from each taxpayer only the correct amount of tax that is due to the Government. The SARS offices are the representatives of the Commissioner and in that capacity must ensure that the tax laws are administered correctly and fairly so that no one is favoured or prejudiced above the rest.

REGISTRATION

As soon as you commence your business (whether as a sole proprietor, partner or any other form), you are required to register with your local SARS office in order to obtain an income tax reference number.

FILING

A company/close corporation on the other hand is permitted to have a tax year ending on a date that coincides with its financial year. If the financial year-end is 30 June, its tax year or year of assessment will run from 1 July to 30 June. Income tax returns must be submitted manually or electronically by a specific date each year.

FORMS OF TAXES

The following are the main forms of taxation.

EMPLOYEES' TAX (PAYE)

Employees' tax is a system in terms of which an employer, as an agent of government, deducts income tax from the earnings of employees and pays it over to SARS on a monthly basis. Once registered, the employer will receive a monthly return (EMP 201) that must be completed and submitted together with the deducted employees' tax within seven days of the month following the month for which the tax was withheld.

INCOME TAX

A sole proprietor or each partner is subject to income tax on his/her taxable income. Income tax is levied at progressive rates ranging from 18% to 40%. For the 2009 tax year, the maximum marginal rate of 40% applies where the taxable income exceeds R490 000. Unlike individuals, a company or Pty (Ltd) pays income tax at a flat rate of 28% on its taxable income for the tax year and 25% secondary tax on companies (STC) on the net amount of dividends declared.

VALUE-ADDED TAX (VAT)

Value-Added Tax (VAT) is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services.

The most important document in such a system is the tax invoice. Without a proper tax invoice, you cannot deduct input tax on purchases for your enterprise, and if you have clients who are vendors or if you sell goods to foreign tourists, they cannot claim back the VAT that you have charged them, or claim a refund of the VAT when taking the goods out of the country.

The following information must be reflected on a tax invoice for it to be considered valid:

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 25 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

FULL TAX INVOICE (CONSIDERATION OF R 3 000 OR MORE) SECTION 20 (4) OF THE VAT ACT	ABRIDGED TAX INVOICE (CONSIDERATION LESS THAN R 3000) SECTION 20 (5) OF THE VAT ACT
The words “TAX INVOICE” in a prominent place	The words “TAX INVOICE” in a prominent place
Name, Address and VAT Registration Number of the Supplier	Name, Address and VAT Registration Number of the Supplier
Name, Address and VAT Registration Number of the Recipient	
Serial Number (Invoice Number) and Date of issue	Serial Number (Invoice Number) and Date of issue
Full and proper description of the goods and or services supplied	A description of the goods and/or
Price and VAT (according to any of the 3 approved methods discussed overleaf)	
NOTE: REQUIRED WITH EFFECT FROM 1 MARCH 2005	

THE FOLLOWING IMPORTANT POINTS SHOULD ALSO BE NOTED WITH REGARD TO TAX INVOICES:

- A vendor is required to issue a tax invoice to the recipient within 21 days of the supply having been made where the consideration for the supply exceeds R50 (whether the recipient has requested this or not)
- If the consideration in money for the supply is R50 or less, a tax invoice is not required (however, a document such as a till slip or sales docket will still be required to verify the input tax claimed)
- Where the consideration for a taxable supply exceeds R50 but does not exceed R3 000, an abridged tax invoice may be issued (see example above)
- A tax invoice must be in South African currency, except for a zero-rated supply (e.g. goods exported). In such cases, a full tax invoice must be issued, even if the consideration is less than R3 000
- A tax invoice is not issued by a debtor (vendor) under an instalment credit agreement if the goods are repossessed. This will be done by the person exercising their right of repossession (i.e. the bank or other financier)
- It is a requirement to reflect the VAT registration number of the recipient of the supply on the tax invoice with effect from 1 March 2005 (if that person is a vendor) and the consideration for the supply exceeds R3 000
- If a vendor fails to deduct input tax in respect of a particular tax period, it may be deducted in a later tax period, but limited to a period of 5 years from the date that the supply concerned was made

RECORD KEEPING FOR INCOME TAX OR CAPITAL GAINS TAX PURPOSES

As a taxpayer, you are required to keep records such as ledgers, cash books, data in electronic form, all supporting documents and any records relating to capital gains or capital losses for a period of five years from the date on which the tax assessment for that year was received by SARS.

However, if objections and appeals have been lodged against assessments, you should keep all relevant records and information until the objection or appeal has been finalised, even if it takes longer than five years to sort out.

PAYMENT TERMS AND PROCEDURES

Building and maintaining a strong earnings stream takes as much work as providing fee based services. Sole proprietors or individuals that provide contracted services should plan to spend an equivalent amount of time and resources to invoice clients and track receivables as they do performing work for their clients. The following are some procedures for small business billing that will help ensure that invoices are paid within an appropriate collection period.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 26 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Agree on terms. Prior to contracting with a client determine how they will pay you and how long it will take them to pay. Barring any unforeseen circumstances, most companies should be able to make payment within 30 days of receiving an invoice. However, since an unpaid invoice constitutes an interest free loan, be specific about what the payment terms will be and make sure they appear on the client’s bills. If a company agrees to pay “Net 30” which means within 30 days of receipt, you should be entitled to some interest or penalty if they fail to pay within the agreed upon grace period. Make sure that your client agrees to the payment penalties and make sure that they appear on the invoices as well. Since the terms are agreed upon and appear on the bill there should be no guessing or argument when you contact them for payment. Most companies will try to pay within agreed terms but will also try to defer payment as long as possible if terms are not agreed upon in advance.

Agree on price. The greatest impediment to collecting on invoices is that there is some discrepancy in the client’s mind about what the cost of services should be. To ensure that there is no arguments about the amount of the bills; make sure that contract prices are agreed upon as part of your procedures for small business billing. In addition to an agreement on price, the procedures on how contract amounts can be amended should be spelled out and agreed upon in advance. Disagreements over invoice amounts usually come result due to changes in the scope of work that are not approved before services are rendered. Having a detailed approval process will significantly reduce the risk of increasing receivables and overdue bills.

Collect advances if possible. Many clients will agree to advance payments to help pay the cost of materials and other upfront costs. Spell out those costs that are necessary to initiate the work and have your client approve the advance payment. Advances and deposits will help ensure adequate working capital and reduce the amount of money that will need to be collected after the project is completed.

Maintain billing discipline. If a company does not pay a bill within agreed upon payment terms, then you will have grounds for penalties. However, many owners penalize themselves by not billing for services immediately after the work has been completed. It is easy to procrastinate and forgo billing when one is busy performing work for clients. The greatest risk to working capital and company cash flow is deferred billing. Ensure that bills are sent out without mistakes. Don’t give your clients an excuse not to pay you or send back invoices, when you deserve to be paid.

Track your invoices. It is difficult to get clients to pay the appropriate amount when you don’t know what it is. Make sure to track your invoices and receivables. Build a good relationship with the person who is in charge of paying your client invoices. Keep in touch with the payables representative and let them know about which invoices have been sent and which invoices are late. You will be surprised about how many invoices can get lost in the bureaucracy of a large firm. Send additional invoices marked “copy” to let your client know that invoices are due when the grace period has expired. Follow up with regular collection calls to discuss invoices that are 10 – 15 behind agreed payment terms. Once again, don’t give your clients an excuse to delay payment because they didn’t know that certain invoices remain unpaid.

ACCOUNTING SUPPORT STRUCTURES

Accounting work can become cumbersome for the entrepreneur. To this end, the entrepreneur can appoint an accounting officer, bookkeeper and coach/mentor to assist or advice in accounting matters.

A) ACCOUNTING OFFICER

Every company is obligated to appoint an Accounting Officer who is a recognized accounting professional. The Accounting Officer has a number of important duties such as submitting financial statements to the members of the company as well as reporting on the financial statements. The Accounting Officer will also help to meet the Accounting Requirements of the company.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 27 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

The Close Corporation Act requires an Accounting Officer to:

- Determine whether the annual financial statements are in agreement with the accounting records
- Report to the members regarding the financial statements
- Determine whether the appropriateness of the accounting policies are applied in the preparation of the financial statements and, if necessary, to revise the statements

B) BOOKKEEPER

A Book-keeper is the person who provides the financial support role to other professionals. In small to medium sized enterprises book-keepers may be the sole financial member of staff. Bookkeepers tasks are most difficult to define because duties are many and varied across differing businesses. The following are some of the popular roles of the bookkeeper.

KEEPING FINANCIAL RECORDS

The key roles of a professional bookkeeper is to ensure financial records are current and up to date and there is a regular reporting system in place.

CHASING UNPAID INVOICES

A proficient bookkeeper will not only keep records of incoming and outgoing invoices but in addition to this role, they will also chase up any invoices that you should have been issued and also chase up purchase orders which have not been paid.

KEEPING ABREAST OF CHANGES IN REGULATION

One of the key duties of a skilled bookkeeping service is keeping abreast of changes in regulation so you don't have to. This is important in reducing your tax liabilities and making sure you are compliant with current tax legislation.

C) COACH/MENTORS

Coaches and mentors can also be resourceful when an entrepreneur is dealing with accounting work. Coaches and mentors play different but closely linked responsibility. Their main objective is to ensure that the new venture takes-off the ground and is successful.

Let's look at the difference between the two:

1. A mentor serves a very important role for you; they do indeed open doors and tell you where the landmines are. They check in with you from time to time, and you should check in with them. Seeking out a coach, however, is more important.
2. Your coach watches your progress and makes course corrections. The types of coaches you need may vary based on the particular challenges that you are facing. If you are managing your first major implementation, seek coaches who have been there, done that successfully. A coach needs to be tough, and you need to listen. A coach might be internal, external or someone you hire. Your coach may be a family member, a colleague from a professional organization or even your boss.

MODULE 1 - PART 3		
	MANAGE BUSINESS ACCOUNTS AND MAINTAIN BUSINESS RECORDS	SO 3

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 28 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

	UTILISE FINANCIAL STATEMENTS TO IDENTIFY BUSINESS PROGRESS	SO 4
	Taxation requirements required in the administration of finances are explained in relation to own venture and controls for managing these requirements are identified to ensure that legislative regulations are adhered to.	SO 2 AC 3
	The elements of an income and expenditure statement are analysed in relation to own business venture.	SO 2 AC 4
	The elements of a cash flow statement are explained in relation to own business venture.	SO 2 AC 5
	Payment terms and procedures relating to liabilities are identified and implemented accordingly.	SO 2 AC 6
	Books of account are identified for interpretation purposes.	SO 3 AC 1
	All records pertaining to all financial and related transactions are kept and stored for input into books of account.	SO 3 AC 2
	Key issues pertaining to books of accounts are discussed and explained in relation to own business venture.	SO 3 AC 3
	Books of accounts are kept on a monthly basis to ensure effective financial management of business venture.	SO 3 AC 4

INTRODUCTION

Understanding financial statements is essential to the success of a small business. Financial statements can be used as a roadmap on your business journey to economic success. Using numbers as navigation aids can steer you in the right direction and help you avoid costly "breakdowns."

IMPORTANCE OF FINANCIAL STATEMENTS

Many business experts and accountants recommend that you prepare financial statements monthly; quarterly at a minimum. Some companies prepare them at least once a week, sometimes daily, to stay abreast of results. The more frequently a company prepares their financial statements, the sooner timely decisions can be made.

There are four types of financial statements; compiled, reviewed, audited, and unaudited:

1. A compiled statement contains financial data from a company reported in a financial statement format by a certified public accountant (CPA); it does not include any analysis of the statement.
2. The reviewed statement includes an analysis of the statement by a CPA in which unusual items or trends in the financial statement are explained.
3. An audited statement (also prepared by a CPA) contains any analysis which includes confirmation with outside parties, physical inspection and observation, and transactions traced to supporting documents. An audited statement offers the highest level of accuracy.
4. An unaudited statement applies to a financial statement prepared by the company which has not been compiled, reviewed, or audited by an outside CPA.

Small business owners must be aware that they may be required to submit financial statements in eight circumstances:

1. Virtually all suppliers of capital, such as banks, finance companies, and venture capitalists, require these reports with each loan request, regardless of previous successful loan history. Banks may need CPA compiled or reviewed statements and, in some cases, audited statements. They may not accept company or

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 29 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

individually prepared financial statements, unless they are backed by personal or corporate income. Typically, as a condition of granting a loan, a creditor may request periodic financial statements in order to monitor the success of the business and spot any possible repayment problems.

2. Information from financial statements is necessary to prepare State income tax returns.
3. Prospective buyers of a business will ask to inspect financial statements and the financial/operational trends they reveal before they will negotiate a sale price and commit to the purchase.
4. In the event that claims for losses are submitted to insurance companies, accounting records (particularly the Balance Sheet) are necessary to substantiate the original value of fixed assets.
5. If business disputes develop, financial statements may be valuable to prove the nature and extent of any loss. Should litigation occur, lack of such statements may hamper preparation of the case.
6. Whenever an audit is required--for example by owners or creditors--four statements must be prepared: a Balance Sheet (or Statement of Financial Position), Reconciliation of Equity (or Statement of Stockholder's Equity for corporations), Income Statement (or Statement of Earnings), and Statement of Cash Flows.
7. A number of states require corporations to furnish shareholders with annual statements. Certain corporations, whose stock is closely held, that is, owned by a small number of shareholders, are exempt.
8. In instances where the sale of stock or other securities must be approved by a state corporation or securities agency, the agency usually requires financial statements.

INCOME AND EXPENDITURE STATEMENT



An income statement, otherwise known as a profit and loss statement, is a summary of a company's profit or loss during any one given period of time, such as a month, three months, or one year. The income statement records all revenues for a business during this given period, as well as the operating expenses for the business.

KEY TERMS IN INCOME AND EXPENDITURE

INCOME

For the purpose of this module, income is defined as money that has been made within the time period of the statement. It is an important accounting concept to correctly account for income within appropriate time period of the financial statement. This means that you should include your income figure in the month where it belongs even if money has not been received.



For example, you are a trader and sold goods to your customers on credit for R1 000 on 20 September 2010. In addition, as per the credit terms you agreed that the customer shall pay 6 months later.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 30 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Since a sales transaction has taken place in September, the income of R1 000 must be recorded as income in September even if the money will be received in another month.

EXPENDITURE

For the purpose of this module, expenditure is defined as the costs that have been incurred within the time period of the statement. As with the concept of income, you should include expenditure in the period in which it was incurred even if no money was paid. This ensures that you have an accurate statement of income and expenditure of real expenditures incurred within the period.



For example, you were doing a household income and expenditure statement for end of September 2010 and you have not received the electricity bill nor paid it for September, you should nonetheless include it (or a reasonable estimate) in the income and expenditure statement for September.

PROFIT OR LOSS

At the end of the income and expenditure statement, you should subtract expenditure from income, the amount remaining is your profit or loss. If the income items are more than the expenditure items we call that profit but if the expenditures are more than the income, then the difference is known as loss.

PURPOSE OF INCOME AND EXPENDITURE STATEMENT

The following are some of the purposes of an income and expenditure statement:

- To clearly show how much money was made and how much was spent within a given time period
- To know how much profit or loss has been earned within a given financial period
- Helps to pinpoint items that are causing unexpected expenditures
- If you compare income & expenditure statement for different consecutive periods, the enterprise can deduce whether the income is rising or stagnating

Legislation requires that when doing financial statements of a company, certain specific requirements regarding the disclosure of information must be met. According to Companies Act 61 of 1973 a company's financial statements have to be drawn up in accordance with Generally Accepted Accounting Practice (GAAP).

CASE STUDY 1: THE INCOME AND EXPENDITURE STATEMENT OF A PRIVATE INDIVIDUAL

Sunny is a private individual who works in an office as a consultant. She wishes to obtain a loan from FBC Bank to finance the purchase of a new car. Big Sharks has requested that Sunny produce an income and expenditure Statement to demonstrate to them that she has income necessary to meet the repayments of loan which amount to R1000 per month.

Sunny has drawn up the following statement:

STATEMENT OF INCOME AND EXPENDITURE FOR SUNNY FOR THE PERIOD 1 JAN 2009 TO 31 DEC 2009	
INCOME	
Annual Salary after tax	R 100 000,00
EXPENDITURE	
Bond repayment on house	R 30 000,00
Food	R 20 000,00
Clothing	R 5 000,00
Water and Electricity	R 2 000,00

<p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 31 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Telephone	R	5 000,00
Entertainment	R	4 000,00
FUNDS REMAINING	R	26 000,00

From this statement, FBC Bank can easily see that Sunny has sufficient money left over after her expenses have been deducted to meet the loan repayments of (12 X R 1000= 12 000 per annum)

Normally an individual is only required to produce a statement like this either for, as in the case study, a bank loan or sometimes when completing a tax return. There is no requirement for an individual to produce the statement on an annual basis as required for companies by Companies Act 1973.

It is, however, a good personal management tool and wise person would compile such a statement and keep a good eye on it on a regular basis.

CASE STUDY 2: THE INCOME AND EXPENDITURE STATEMENT OF A COMPANY BLUE EDGE

Blue Edge LTD produces the chemical flavours used to flavour cakes. They have been in operation since 1940 and continue to run as family owned private business. Because they are incorporated as a company, they are required to produce client's annual financial statements. Interested parties, such as the owners of the company, clients and suppliers who do business, with them and SARS (The receiver of Revenue) may review these financial statements and make decisions on the results accordingly.

INCOME AND EXPENDITURE STATEMENT BLUE EDGE PTY (LTD)		
SALES	R	1 500 000,00
Less Loans	R	700,00
Gross profit		
LESS: EXPENDITURE		
Accounting fees	R	1 200,00
Cleaning material	R	5 000,00
Computer expenses	R	20 000,00
Motor & travel	R	50 000,00
Rental of factory premises	R	200 000,00
Stationery	R	20 000,00
Staff refreshments	R	10 000,00
Salaries	R	400 000,00
Staff training	R	1 000,00
UIF	R	4 000,00
Workman's compensation	R	4 000,00
TOTAL EXPENDITURE	R	715 200,00
NET PROFIT	R	784 100,00

The accountant for Blue Edge LTD is responsible for ensuring that the figures contained in the Statement of Income and Expenditure are accurate and reflect a true position of the finances of the company. The Accountant must also produce these financial statements annually after the year end (which in Blue Edge case is the 31 October).

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 32 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

SOURCES OF INCOME AND EXPENDITURE

Income and expenditure sources are as varied as the types of industries and business in operation. People too, derive their income and spend their money in all possible ways. The ways of income are many and varied; it is your task to identify these in the financial statements and be able to differentiate between the income and the costs.

CASE STUDY 3: KEYS COMPANY

Keys Company has a shop in a shopping mall. They sell toys, educational devices, and children's party tricks. Keys the owner, has had the following statement of income and expenditure prepared for tax purposes.

STATEMENT OF INCOME AND EXPENDITURE FOR THE PERIOD 1 MARCH 2005 TO 28 FEB 2006		
SALES		R 150 000,00
Cost of goods sold		
Opening stock	R 5 000,00	
Add: purchases	R 51 500,00	
	R 56 500,00	
Less closing stock	R 6 500,00	
Cost of sales		R 50 000,00
Gross profit		R 100 000,00
LESS EXPENDITURE		
Accounting fees	R 1 200,00	
Cleaning materials	R 5 000,00	
Computer expenses	R 2 000,00	
Motor and travel	R 5 000,00	
Rental of retail premises	R 20 000,00	
Stationery	R 2 000,00	
Salaries	R 20 000,00	
UIF	R 450,00	
Workman's compensation	R 200,00	R 55 850,00
NET PROFIT		R 44 150,00

In case study above, expenditure incurred in generating sales include the purchases of goods for sale, called purchases. Note that purchases in accounting terms has a specific meaning: *it means the cost incurred in acquiring goods for resale*. It does not include other costs, such as the ones listed in the expenditure section. These must be disclosed separately.

The cost of sales calculation, which is opening stock plus purchases less closing stock, is calculated and subtracted from sales to give Gross profit. Gross profit is an indication of the profitability of operations, not including other expenses and overheads.

CASE STUDY 4 KELLY'S FAST FOOD

Kelly's Fast foods is a vendor of pies, chicken, cold drinks, fish, chips, coffee and sandwiches. They cater for break fast and lunch time crowd in a nearby office park.

Below is Kelly's Fast Foods Income statement prepared by the accountant for tax purposes. Now, identify the sources of income and expenditure for Kelly Fast Food.

INCOME STATEMENT FOR KELLY'S FAST FOODS FOR THE PERIOD 1 MARCH 2010 TO 28 FEBRUARY 2010		
SALES		R 350 000,00
Less: Purchases		R 80 000,00
Gross Profit		R 270 000,00
Less expenditure		
Accounting Fees	R 1 500,00	

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 33 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Cleaning material	R	7 000,00	
Motor & travel	R	4 000,00	
Rental of shop	R	40 000,00	
Wages (shop assistants)	R	80 000,00	
Insurance	R	450,00	
Stationery	R	200,00	R 133 150,00
NET PROFIT			R 136 850,00

THE BALANCE SHEET

A Balance Sheet is a 'snapshot' of the financial position of the school at a specific point in time, usually the end of an accounting period. This report lists assets and liabilities as current or non-current, as well as the organisation's equity.

PURPOSE OF A BALANCE SHEET

The purpose of a balance sheet is to reflect the financial position of a company or enterprise at a point in time. It is different from a statement of income & expenditure in that the balance sheet is as at a specific date, whereas the income statement is for a period of time. Usually, the income statement will cover, say, a financial year, and the corresponding balance will reflect the financial position on the last day of the year under review.

REQUIREMENTS FOR PREPARING BALANCE SHEETS

1. As part of Annual Financial Statements, companies are required to produce Balance Sheets every year.
2. Individuals need not prepare balance sheet unless requested to do so by a bank or Receiver of Revenue.

ELEMENTS OF BALANCE SHEET

A balance sheet is separated into two distinct parts:

- I. Capital employed section
- II. Employment of capital

Based on the basic accounting equation;

TOTAL ASSETS = TOTAL LIABILITIES + OWNERS EQUITY

The two sections of the balance sheet reflect the calculation of the equation:

CAPITAL EMPLOYED SECTION

This section reflects the *money the owner has put into the business*. This side consists of the share capital of the business (if it is a company: certain forms of trading operations such as sole traders or partnerships, do not have share capital, but reflect the investment of the traders/partners)

SHARE CAPITAL

This is the equity of the business. Usually, a company is incorporated with an authorised share capital that is divided amongst the owners of the business. These shares, as in publicly traded companies on the stock exchange, are tradable in certain circumstances and can be bought and sold. They reflect the division of ownership and profit sharing.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 34 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

If you own shares in a company, you are entitled to a share of profits in relation to the amount of shares that you hold. Often, companies pay these profits to shareholders in the form of dividends. But, a company is not legally forced to pay dividends.

EMPLOYMENT OF CAPITAL SECTION

The term “employment of capital” means what has been done with the money that the owners of the business have invested in the operations. This is the calculation of net Asset less Liabilities. A primary feature of a balance sheet, as indicated in the name of the statement, is that it MUST balance. If a balance sheet does not balance, it is not a balance sheet.

NOTES TO THE BALANCE SHEET

In terms of disclosure as required in the Companies Act 61 of 1973, there are many items that are disclosed in company’s Annual Financial Statements. Often, how the figures that appear on the balance sheet are arrived at are shown in Notes to the Balance sheet. An example of common note would be the calculation of depreciation for Fixed Assets.

THE ANALYSIS OF A BALANCE SHEET

Balance sheets are invaluable tools for analysis of companies’ net worth. By understanding and interpreting the clues within the balance sheet, the analyst can evaluate the value of the company, and make decisions accordingly.

Case study Kenny’s Stationery Shop

The company is incorporated as a close corporation and has been trading for 8 years. The accountant has compiled the annual financial statements, which contains the following balance sheet.

KENNY STATIONERY CC: BALANCE SHEET			
Capital employed			
Share capital		R	1 100,00
Loan Account: Kenneth		R	24 400,00
		R	25 500,00
Long-Term Liabilities			
Financial agreement on motor vehicle		R	25 000,00
Total Capital Employed		R	50 500,00
Employment of capital			
Fixed Assets			
Furniture & Fittings		R	10 000,00
Motor vehicles		R	40 000,00
Current Assets			
Cash	R	2 000,00	
Debtors	R	1 500,00	
	R	3 500,00	
Less: Current liabilities			

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 35 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Creditors	R	3 000,00	R	500,00
Total employment of capital			R	50 500,00

QUESTION: HOW MUCH IS THE COMPANY WORTH??

CONCEPT OF AN ASSET

Assets are things that the business owns. The types include:

FIXED ASSETS



Fixed Assets, which are things, used in the production of income and they last longer than 3 months in the business, like office furniture, motor vehicles, land, buildings, machinery and tools. Fixed Assets can either be physical assets or nonphysical and they are subject to depreciation (wear and tear). That is, things like patents, copy rights, goodwill are also regarded as assets.

FIXED ASSETS DOES NOT MEAN THE ASSET DOES NOT MOVE!!

CURRENT ASSETS



The other type being Current Assets which are assets (things owned) that can be converted into cash quickly within a period of say 3 months. Examples include debtors, cash at bank, trading stock, and bank balance. Current Assets last less than 3 months meaning they can change forms in that time period. For instance, a Debtor can change to Cash when the debtor pays.

REMEMBER CURRENT ASSETS ARE NOT SUBJECT TO DEPRECIATION

THE CONCEPT OF LIABILITY

Liabilities are amounts that the company owes to other people or companies. These take two forms:

CURRENT LIABILITIES



These are amounts owing to others that must be repaid in a period of three months. Examples include bank overdraft, creditors, and short-term loans.

LONG-TERM LIABILITIES

These are debts that the company has incurred and they are expected to be paid off in a time period more than even a year. If you check the balance sheet section, they are included under the Capital Employed section. Examples include bonds, debentures.

CASH FLOW STATEMENTS

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 36 of 220	Reference	LG-BAP-01
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Cash flow is difficult for small business and business planning, thus you should have cash flow statements. Treated with such reverence and explained in such elaborate terms it's no wonder we're all a little bit confused.

Cash flow is different to profit and loss (as profit and loss is recorded in the balance sheet and cash flow is recorded on the cash flow statement). Cash flow is quite simply a measure of cash coming into your business and cash going out of your business. It is given an elevated status because if your business runs out of cash, you will go bust. So it well worth your efforts monitoring it carefully.

REASONS WHY CASH FLOW IS DIFFERENT FROM PROFIT AND LOSS/INCOME AND EXPENDITURE

Just because you receive an invoice, cash doesn't necessary leave the same day. In most circumstances, you will charge an invoice to your profit & loss statement according to the date on the invoice. However, you may not pay that invoice until, say, 30 days later which is the point at which you will charge that transaction to your cash flow statement. Similarly, when you issue an invoice, unfortunately not everyone pays the same day.

VAT is paid every three months. When you pay, cash leaves the business and hence an entry appears on your cash flow statement. But VAT doesn't appear on your profit and loss account at all because it isn't a cost to your business. You just collect it up and pay it to the tax man.

If you sell off one of the company vehicles, for instance, real cash comes into your business, hence onto your cash flow statement. But the sale would be recorded as the sale of a capital item, not part of your operating profit, hence the transaction would feature on your balance sheet, not your profit & loss statement. The same argument applies if you receive a cash injection from an investor or a loan from the bank.



BASIC ELEMENTS OF A CASHFLOW STATEMENT

The basic elements of cash flow are:

Starting cash -- This is your starting balance what you have on hand at the beginning of each month.

Cash in -- This is all cash received during the month, including sales, paid receivables, interest or cash from sales of assets or stock.

Cash out -- Includes all fixed and variable expenses.

Ending cash -- This is your ending balance. Add starting cash to cash in for total cash, and then subtract cash out.

Here is an example of how you measure cash flow by subtracting your monthly ending balance from your starting balance.

	Month 1	Month 2
Starting cash	R 3 500	R 3 000
Cash in		
Sales	R 2 500	
Receivables paid	R 500	
Other	R 0	
Total in	R 3 000	
Cash out		
Rent	R 1 500	
Supplies	R 250	
Wages	R 1 750	

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision		09-10-2022	Created	09-10-2020
	Page number		Page 37 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number		4

Total cash out	R3,500	
Ending cash	R3,000	
Change in flow	(R500)	

Let's say you started the month with R3, 500. You brought in R2 500 in sales and R500 in paid receivables. You paid out R1 500 in rent, R250 in supplies, and R1 750 for wages This equals a total of R 3 500 in expenses. Your ending balance is R3 000.

While you did show some sales, your monthly cash flow would be -R500. To survive, you want positive cash flow, which means taking in more than you are spending. Positive cash flow gives you forward motion to build and grow.

Even a small lag in sales or an outstanding bill can make a dramatic impact on cash flow, but you won't know that without your cash flow budget. At the end of every month, compare actual business sales with estimated cash flow and hold them up against your master budget.

If they are out of sync, consider the cause. Maybe you didn't factor in the need to hire summer vacation replacement help or the jump in paper prices for your printing business. Cut back on cash out where you can, and adjust monthly cash flow projections to more realistically meet your needs.

CASH FLOW MANAGEMENT

Good cash flow management means you can anticipate when your cash flow needs will occur. Your cash flow budget will help you predict what's coming, but you have to be diligent in daily record keeping and reporting of cash in and cash out.

The following steps can help you monitor cash flow:

- Use renumbered cash receipts and account for all receipts
- Deposit checks daily
- Send customer invoices within two days
- Collect receivables within 60 days
- Take advantage of cash discounts
- Use renumbered checks for all disbursements

MODULE 1 - PART 4		
	MANAGE BUSINESS ACCOUNTS AND MAINTAIN BUSINESS RECORDS	SO 3
	All records pertaining to all financial and related transactions are kept and stored for input into books of account.	SO 3 AC 2
	Key issues pertaining to books of accounts are discussed and explained in relation to own business venture.	SO 3 AC 3
	Books of accounts are kept on a monthly basis to ensure effective financial management of business venture.	SO 3 AC 4

	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 38 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

INTRODUCTION



Running a successful business entails keeping accurate and timely financial information. A clear financial picture allows you to monitor the success or failure of your business. A good record keeping system also provides you with the information you need to evaluate the financial consequences of your financial decisions.

As a small business owner, you probably rely on an outside accountant to do your taxes and prepare financial statements. However, it is best that you or someone in your organization take on the responsibility of keeping an accurate set of financial records. Doing the routing bookkeeping chores yourself, however unpleasant it may seem, will minimize your costs of paying an accountant and allow you more control of your financial information and operations.



DEFINITIONS OF KEY TERMS

RECORDS KEEPING

Record keeping is a process of managing the creation, amendment, distribution, filing, retention, storage and disposal of records, which is administratively and legally sound.

RECORDS MANAGEMENT

Records management involves the storage, retrieval and use of information. In records management, the guiding principle is that information must be readily available at the prerequisite time and in the form it is required. In order to effectively utilise the information in the system, the data must be accurate, reliable and informative.

RECORDS

A record is any document, book, paper, photograph, map, sound recording or other material, regardless of physical form or characteristics, made or received pursuant to law or in connection with the transaction of official business.

FINANCIAL RECORDING SYSTEM

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 39 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	



For starters, make sure that you file paid bills, cancelled cheques and other business documents in an orderly fashion and keep them in a safe place. You may use manila folders, filing boxes, or an accordion file divided into “car,” “utilities,” “entertainment” and so on. At a minimum, put receipts in the proper categories throughout the year so it would be easier to total them up at tax time. Staple the adding machine tape to each folder or stack of receipts. You are not required to keep records in a formal “set of books;” however, you need to find the best record keeping system that works for you.

Take record keeping seriously. A perfectly adequate record keeping system for a small business might include some or all of the following:

Cheque register – preferably a separate bank account for your business. Make sure that when you receive your bank statement every month that you prepare bank reconciliation. This document will help you balance your cheque book.

Summary of receipts of gross income – totalled daily, weekly or monthly. Keep track of where your money comes from, putting notes explaining the origin of all money received. Your record of revenues received should, at the least, record similar information:

- The type and amount of payment
- Date of the transaction
- The party who paid the money
- The work performed or good provided
- Monthly summary listings of expenses

Disbursements record showing payments of bills. This could be a purchase journal or an expense journal where you record all the transactions in which you paid out cash or cheques. In addition to such records, you should keep a journal or “record of expenses” recording, at the least, the following information:

- How the expense was paid (credit card, cash, check number)
- Date of the transaction
- The party to whom the money was paid.
- The particular type of expense involved (e.g., office supplies, equipment, utilities, rent, etc.)

Asset purchase listing (equipment, vehicles, real estate used in business) All equipment (e.g., computers, fax machine, copiers, etc.) and other assets which have a life span of more than a year must be recorded and the cost amortized (i.e., deducted) over the life span of the asset. Thus, you need to keep records concerning your business's asset. You must keep asset records providing the following information:

- Description of the asset
- Date of acquisition
- What month you started using the asset (usually the same as purchase)
- Total amount paid for the item, including taxes, delivery charges and fees
- Sales price of any asset sold
- Date of sale of any asset
- Cost of selling the asset (advertisement, broker's fees, etc.)
- Whether you use the assets for personal use and, if so, how much time the asset is employed for such uses
- Employee compensation record (if you have employees)

ACCOUNTS RECEIVABLE

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 40 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

If your products or services are paid for at time of delivery, you will not need an accounts receivable tracking system. However, if you provide services or products for which people pay you at a later date, your accounts receivable records keep track of what is owed to you. You can monitor accounts receivable by holding on to a copy of all invoices sent out or by keeping an accounts receivable record. Either way, the information you need to capture includes: invoice date, invoice number, invoice amount, terms, date paid, amount paid, and the name of the entity being billed.

ACCOUNTS PAYABLE

Accounts payable are debts owed by your company for goods and services. Keeping track of what you owe and when it is due will enable you to establish good credit and hold onto your money as long as possible. Business owners with few accounts payable items use accordion file folders labelled with dates to keep track. Other small firms simply pay bills twice per month and keep all bills in a "To Pay" folder. Larger companies use accounts payable paper records organized by creditor. Regardless of the system you choose, you should retain the following information about accounts payable: invoice date, invoice number, invoice amount, terms, date paid, amount paid, balance (if applicable), and clients names and address.

RETENTION PERIOD FOR BUSINESS RECORDS

Retention periods in terms of the Companies Act:

FOR COMPANIES

DOCUMENT	RETENTION PERIOD
1. Certificate of incorporation	Indefinite
2. Certificate of change of name (if any)	Indefinite
3. Memorandum and articles of association	Indefinite
4. Certificate to commence business (if any)	Indefinite
5. Minute book, CM25, CM26 and resolutions passed at general/class meetings	Indefinite
6. Proxy forms	3 years
7. Proxy forms used at Court convened meetings	3 years
8. Register of allotments after a person ceased to be a member (section 111)	15 years
9. Registration of members	15 years
10. Index of members	15 years
11. Registers of mortgages, debentures and fixed assets	15 years
12. Register of directors' shareholdings	15 years
13. Register of directors and certain officers	15 years
14. Directors attendance register	15 years
15. Branch register	15 years
16. Annual financial statements including annual accounts, Directors' report and an Auditors' report	15 years
17. Books of account recording information required by the Act	15 years
18. Supporting schedules to books of account and ancillary books of account	15 years



As a taxpayer, you are required to keep records such as ledgers, cash books, data in electronic form, all supporting documents and any records relating to capital gains or capital losses for a period of five years from the date on which the tax assessment for that year was received by SARS.

However, if objections and appeals have been lodged against assessments, you should keep all relevant records and information until the objection or appeal has been finalised, even if it takes longer than five years to sort out.

<p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 41 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

	LEARNING ACTIVITY 1:	SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119674
Instructions	<p>Complete this task in the workbook provided.</p> <ol style="list-style-type: none"> 1. Explain the importance of working capital to a small business venture. Highlight the consequences of lack of working capital. 2. What type of financing is a bond? 3. Write, in brief, any two points of difference between fixed capital and working capital 4. Collect your own bank statement from the bank and interpret it in simple terms 5. Explain the importance of monitoring and maintenance of an accounting system 6. Explain why are financial statements important in business? 7. Compare the income statement of Keys Company and Kelly Fast Food and determine which company is financially viable. 8. Identify 3 Fixed Assets that you would have if you were running a small bakery in your neighbourhood 	
Method	Writing and Discussion with Mentor / Facilitator	
Resource	The web, your own research and your mentor / facilitator	

MODULE 2: HOW TO TENDER

MODULE 2: LEARNING OUTCOMES

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 42 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

PROCURE AND REVIEW A TENDER DOCUMENT
A tender work prospecting system is identified and set up within the context of the business plan
The process of procuring a tender document is followed
Tender documents are reviewed to determine if it is viable to pursue tender in relation to business opportunities and risks
Where relevant the prospect of pursuing tenders on a joint-contract basis with other small enterprises is determined in order to meet tender capacity and resource requirements
Where relevant, external sources and expertise are sought to assist in completing tender documents
PREPARE AND COMPLETE A TENDER DOCUMENT
Information is extracted from bidders meetings and tender documents
The tender requirements are listed and the venture's ability to comply is determined
A work breakdown/product itemisation is performed
Allowable unit costs for all work activities/product items are calculated
Profit mark-ups are implemented to produce selling prices
The schedule of quantities/products/services are completed
SUBMIT A TENDER DOCUMENT
The tender completed tender document is checked to ensure compliance to criteria outlined in tender document
Information relating to tender submission is extracted from the tender documents
The tender is submitted within the time, manner and criteria stipulated in the tender document

MODULE 2: HOW TO TENDER

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 43 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

UNIT STANDARDS IN THIS MODULE	119712	TENDER FOR BUSINESS OR WORK IN A SELECTED NEW VENTURE	
	PROCURE AND REVIEW A TENDER DOCUMENT		SO 1
	PREPARE AND COMPLETE A TENDER DOCUMENT		SO 2
	SUBMIT A TENDER DOCUMENT		SO 3
	A tender work prospecting system is identified and set up within the context of the business plan		SO 1 AC 1
	The process of procuring a tender document is followed		SO 1 AC 2
	Tender documents are reviewed to determine if it is viable to pursue tender in relation to business opportunities and risks		SO 1 AC 3
	Where relevant the prospect of pursuing tenders on a joint-contract basis with other small enterprises is determined in order to meet tender capacity and resource requirements		SO 1 AC 4
	Where relevant, external sources and expertise are sought to assist in completing tender documents		SO 1 AC 5
	Information is extracted from bidders meetings and tender documents		SO 2 AC 1
	The tender requirements are listed and the venture's ability to comply is determined		SO 2 AC 2
	A work breakdown/product itemisation is performed		SO 2 AC 3
	Allowable unit costs for all work activities/product items are calculated		SO 2 AC 4
	Profit mark-ups are implemented to produce selling prices		SO 2 AC 5
	The schedule of quantities/products/services are completed		SO 2 AC 6
	The tender completed tender document is checked to ensure compliance to criteria outlined in tender document		SO 3 AC 1
	Information relating to tender submission is extracted from the tender documents		SO 3 AC 2
	The tender is submitted within the time, manner and criteria stipulated in the tender document		SO 3 AC 3

MODULE 2 - PART 1			
	PROCURE AND REVIEW A TENDER DOCUMENT		SO 1
	A tender work prospecting system is identified and set up within the context of the business plan		SO 1 AC 1
	The process of procuring a tender document is followed		SO 1 AC 2
	Tender documents are reviewed to determine if it is viable to pursue tender in relation to business opportunities and risks.		SO 1 AC 3
	Where relevant the prospect of pursuing tenders on a joint-contract basis with other small enterprises is determined in order to meet tender capacity and resource requirements.		SO 1 AC 4
	Where relevant, external sources and expertise are sought to assist in completing tender documents.		SO 1 AC 5

PROCURING AND REVIEWING A TENDER DOCUMENT

Many businesses find work by tendering or bidding for jobs. Winning the right tender is a major achievement that can help launch or grow a business. Both private and public sector organisations advertise tenders, inviting businesses to offer competitive proposals for supplying their products and services. Tenders differ from quotes in that they are open to anyone, while businesses requesting quotes approach specific providers they choose. Because tenders are open to the whole market, you must learn how to find and choose tenders that precisely meet your products, services, business goals and customer profile.

While some businesses invite tenders involving simple components such as a cover letter, list of goods and services and a quote, most tenders require a thoroughly considered, detailed proposal and quote that meets the requesting

	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 44 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

organisation's exact specifications. This guide explains how to procure and review tender documents and plan, prepare and deliver winning tenders.

DEFINITION OF KEY TERMS



Tender: is sealed bid or offer document submitted in response to a request for tenders and containing detailed information on requirements and terms associated with a potential contract. Tendering is the process of choosing suppliers of goods, works and services. Although tenders differ in content and size according to what is being purchased, it is essentially a process of submitting sealed proposals in which suppliers demonstrate their capability and capacity to undertake the work in question and give details of the prices they propose to charge. It ensures a fair, open, competitive process for obtaining goods, works and services.

Tender offer: is a bid or offer submitted in response to an invitation to bid (ITB) or request for tenders.

Business: An organisation or enterprising entity engaged in commercial, industrial or professional activities. A business can be a for-profit entity, such as a publicly-traded corporation, or a non-profit organisation engaged in business activities, such as an agricultural cooperative. A business can also be any commercial, industrial or professional activity undertaken by an individual or a group or a reference to a specific area or type of economic activity. Businesses include everything from a small owner-operated company such as a family restaurant, to a multinational conglomerate such as Anglo American.

Business plan: set of documents prepared by a firm's management to summarize its operational and financial objectives for the near future (usually one to three years) and to show how they will be achieved. It serves as a blueprint to guide the firm's policies and strategies, and is continually modified as conditions change and new opportunities and/or threats emerge. When prepared for external audience (lenders, prospective investors) it details the past, present, and forecasted performance of the firm. And usually also contains pro-forma balance sheet, income statement, and cash flow statement, to illustrate how the financing being sought will affect the firm's financial position.

Tender document: are the focal point in the tendering process and furnish all information necessary for a prospective tenderer to prepare a responsive tender for the supplies, services and works to be provided. While the detail and complexity of these documents may vary with the size and nature of the contract, they generally should include:

- Invitation to tender;
- Instructions to tenderers;
- General and special conditions of contract;
- Technical/services specifications;
- Tender form;
- Contract form;
- Appendices (model financial offers, forms for guarantees, etc., as applicable)

The tender documents are drafted so as to permit and encourage the widest possible competition. They clearly define the scope of supplies and associated services, the services and works to be supplied, the rights and obligations of the contracting authority and of suppliers, service providers and contractors, and the conditions to be met in order for a tender to be declared responsive, and they set out fair and non-discriminatory criteria for selecting the winning tender.

A TENDER WORK PROSPECTING SYSTEM

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 45 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Finding the right tender opportunity is exciting and may just prove to be your first step in forging a profitable new business relationship. However, finding requests for tender that are well matched to your business requires time and persistence. Public sector tender processes tend to be time-consuming and particular. However, they can reap big rewards if supported by a well-considered approach and professional attention to detail and presentation. Here are some of the main ways you can find out about tender opportunities.

MONITORING TENDER SOURCES

SUBSCRIBE TO TENDER SEARCH WEBSITES

Numerous public and private tender sources advertise tender opportunities. Monitoring these sources regularly will help you make sure you stay aware of tender contracts on offer in your sector. For paid subscriptions, private tender search organisations send you updates on tenders that match your business profile. You can find local, state and federal government tenders through government and independently managed tender alert websites.

MONITOR LOCAL AND NATIONAL NEWSPAPERS

Most papers include a list of current tenders in their public notices of classifieds sections. Check selected newspapers regularly for national, state-wide and regional tender advertisements from public, corporate and regional business sectors.

READ TRADE MAGAZINES

Subscribe to industry or trade publications in your sector to make sure you find out about tender opportunities in your industry.

ATTEND NETWORKING EVENTS

Trade shows and industry expos are good sources of information on business opportunities. They also help you make contacts and build relationships with peers in your industry who will share their market knowledge.

Selecting the right tender opportunities



The South African market has thousands of tender opportunities each year. Be patient, be choosy, and look for the tender opportunities that closely match the services, products, purpose and priorities of your business (that is, tenders that are within the context of your business plan).

Preparing a tender is expensive and time-consuming, so make sure that the tender you choose represents a great opportunity for your business and that you have a reasonable chance of winning the contract.

Many tenders scope a large volume of work that seems beyond the reach of small businesses. Don't be daunted by tenders in your industry that are larger than your business could manage alone. Identify these tenders and consider offering your services as a subcontractor or joining with another company to win the tender.

TENDER FOR A CONTRACT

Finding out about private and public contracts

You can find out about private sector contracts in a number of ways:

- Build contacts with potential customers
- Advertise in local and national newspapers
- Advertise in trade and professional magazines covering your area of business

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 46 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

- Research contracts outside your business sector which may produce secondary contracts for you, for example, if a new office block is built, it will need desks, carpets, signage, stationery, cleaning and laundry
- Follow up press and other reports - a company may be expanding or sub-contracting part of a big order
- Network and pick up information from other businesses

You can identify public-sector contracts by:

- Following up contract notices published in newspapers and trade magazines;
- Getting the government tender bulletin;
- Searching department websites;
- Alternatively, one can access the Online Tenders website at a nominal monthly subscription cost to get the latest tenders and business leads in SA.

Online Tenders is a tender notification service that researches business tenders in South Africa and business leads throughout the country, classifies and matches the tender that is relevant to your exact business requirement. These tenders are then emailed to you on a daily basis or you can simply access the Online Tenders website for further tender information.

What are some of the ways that are used by your company to identify both private and public sector contracts?

TYPES OF PROCEDURE

Tenders are normally invited under either a “restricted” or an “open” procedure.

OPEN TENDERING PROCEDURE

This procedure is generally used where the expected number of responses is likely to be manageable. Any organisation expressing an interest in an advertised opportunity is invited to tender and is issued with a tender pack. This must be completed fully and returned with any requested supporting information by a specified date and time. A panel of officers evaluate responses against pre-set criteria and the highest scoring tenderer is awarded the contract.

RESTRICTED TENDERING PROCEDURE

This procedure is generally used if a high level of interest is anticipated. This procedure requires organisations who express an interest to undergo an initial pre-qualification assessment to appraise such things as their economic and financial standing, capability and capacity and compliance with Health and Safety and Equal Opportunities. Normally organisations are sent a pre-qualification questionnaire which must be completed fully and returned by a specified date and time. A panel of officers evaluate responses against pre-set criteria and the most suitable applicants are then invited to tender.

ELECTRONIC TENDERING (E-TENDERING)

Electronic tendering (e-Tendering) uses a secure portal to conduct the entire tendering process electronically. This involves every step in the tender process from expression of interest through to contract award. This form of tendering requires organisations to register an interest online, at which point they will be able to access all tender information and questionnaire(s). Organisations are required to complete and submit their tender submission online, by a specified date and time. Evaluation will be against pre-set criteria and will either be completed automatically by the portal, or by a panel of officers where automatic scoring is not achievable e.g. for a lengthy written response.

Electronic tendering can be used when following any type of tendering procedure, and if appropriate, could also involve the use of an electronic reverse auction (e-Auction).

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 47 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

THE PROCESS OF PROCURING A TENDER DOCUMENT

In the past, there have been cases of tenders being awarded without following the constitutionally correct procedure. Cousins, brothers-in-law, friends or other relations to government officials have been awarded tenders; creating a less than transparent process. To ensure that every single business has a chance to win lucrative contracts and tenders, systems such as the tender notification process goes a long way in keeping all tenders above board and open to all. This prevents corruption and fraud, and limits the possibility of nepotism or other underhanded tender practices and thus improve the entire procurement system for all parties involved. This creates fair and equal business opportunities that increase employment in the workforce, gives more SMME's a chance to bid, levels the playing field and ensures less corruption and fraud.



Procurement includes all the activities undertaken in order to obtain the product from the supplier and to get it to the place where it is actually used. It includes developing specifications, undertaking risk management, conducting market research, and conducting traditional buying activities. It extends to the safe disposal of products once their 'in-service' life is finished.

Preparing business tenders can help you to win big orders, but it can also be time-consuming, cost money and takes up valuable resources. If you don't get the contract, the money and time spent is usually lost, so you need to weigh up whether or not a tender is worth bidding for.

KEY POINTS TO CONSIDER

- Get hold of the bid documents and analyse them.
- Make sure you can match the technical, skill and experience requirements.
- How much will it cost to prepare your bid?
- Would the work fit in with your strategy and positioning of your business?
- Estimate the costs of fulfilling the contract and whether or not you'd make enough money to justify it.
- Assess how the contract would affect your other work, staffing and ability to take on other new business opportunities.

You also need to consider how important the client is to your business contracts. Is this a good potential client or one you don't want to offend by not tendering? Try to understand things from the client's point of view.

Collection of tender documentation

Check the tender advert and phone the contact person. Clarify issues on how the tender document can be collected. Most of the time, this is stated on the tender advert.

Finding out what the client really wants

Many potential clients will talk things through on an informal basis before you decide to bid. Ask for a face to face meeting or a telephone chat. You should always raise questions by phone or email if business tender documents are unclear - on anything from deadlines to how you will get paid.

Make sure the client is serious and that you're not there to make up the numbers or to test the market. Sometimes customers may just be fishing for ideas they'll then use for themselves. But don't forget many clients genuinely want you to make a creative contribution and provide relevant ideas.

Site inspections are another way in which clients disseminate information on the project. Some site meetings are compulsory and not attending the meeting will automatically disqualify you from tendering.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 48 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Therefore, check the tender advert as soon as it is released to clarify the site inspections by telephoning the client and requesting confirmation of the site inspection. This is one of the reasons for subscribing to a South African business tender notification service; you can now have your tender adverts delivered to your office desk daily.

THE PROCUREMENT PROCESS



When bidding for a public sector contract you will probably have to go through an official procurement process with a set timetable. The more the contract is worth, the more time-consuming the process is likely to be. Complex projects are negotiated under the competitive dialogue procedure, which may take longer than the set timetable process. It's essential to give all the information required and to meet the relevant deadlines at each stage of the process.

Once you have identified a potential contract, assess whether your business can carry it out - and whether it makes financial sense to do so. Contact the relevant organisation for more information on what the contract involves.

Some contracts involve a formal Expression of Interest - a pre-qualification stage used to identify realistic candidates for the contract. You may be asked for information about the financial position of your business and details of your experience and references.

If you get through the pre-qualification stage, you may then receive an Invitation to Tender or contract notice inviting you to bid for the contract.

These bid documents set out the key criteria you need to meet, and tell you how to submit your tender. You'll need to show that you can fulfil the contract and meet all the client's needs. Do ensure at all stages that you give responses for each question you are asked. If you are unable to complete all the questions, contact the organisation to discuss this.

Contracts are awarded on the basis of value for money - which means getting the right balance between the price and quality of the product or service being offered. It can also involve factors such as lifetime costs and maintenance arrangements.

For any goods or services supplied to the public sector, purchasing officers must decide which supplier offers the best and most reliable service at the most competitive price. Best practice dictates that any tendering process should follow a defined set of stages.

STAGES IN THE TENDERING PROCESS

1. The purchasing body will advertise tenders in the appropriate media, usually the local press and relevant professional magazines. Interested suppliers will respond by submitting a written “expression of interest” by the required date, as stated within the advert. More recently, more authorities have posted tenders on websites and e-bulletins.
2. The purchaser will send all interested suppliers a copy of the tender specification and Pre-Qualification Questionnaire (PQQ), which each supplier will complete by the required date. Alternatively, the purchaser might invite bids from an approved contractor list.
3. The purchaser will then shortlist a number of potential suppliers or approved contractors, to whom they will send a set of tender documents. Each shortlisted supplier will complete and return these documents by the required date.
4. Where appropriate, purchasing body will give potential suppliers an opportunity to discuss procurement in order to understand the requirements in full and assess their own suitability. Nothing will be done, however, which could give a particular business or provider an unfair advantage in competing for a specific contract.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 49 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

- The purchasing body will evaluate all submissions, seeking clarification with or without competitive interviews as required, before awarding the contract to the successful supplier.

WHAT IS A PRE QUALIFICATION QUESTIONNAIRE (PQQ)?

The Pre-Qualification Questionnaire (PQQ) is to be completed by all parties interested in delivering a specific contract or tender. Information contained in the PQQ is used to judge an organisation capacity to deliver services and who to invite to tender. The length and detail of each PQQ varies with each purchaser, but most will include the following questions.

COMPANY PROFILE

- Names and details of key staff in the organisation
- What is the legal status of the supplier?
- Has the organisation undergone any quality assurance scheme?

COMPANY POLICIES

- Statements on health and safety
- Equal opportunities and diversity
- Sustainability
- Environmental

TECHNICAL ABILITY

- What are the supplier's skills and qualifications that enable them to meet this contract?
- What is the average number of staff employed over a three-year period?
- Has the supplier sufficient resources available for the contract?
- What similar work has the supplier undertaken in the last five years?
- What references can the supplier give from recent clients?

FINANCIAL STANDING

- Provide a copy of the most recently audited accounts.
- Provide evidence of relevant insurance and indemnity cover.
- Provide a statement of the organisation's turnover, profit and loss and cash flow for the most recent year, or a statement of the forecast cash flow for the coming year.

WHERE A FORMAL TENDER PROCESS IS NOT REQUIRED

A formal tender process is not required when:

- Contracts are of low value
- There is only one supplier who can provide the goods or services
- No bids or tenders were received in an open, competitive procurement process
- For technical or artistic reasons e.g. patent or copyright
- Need to proceed immediately due to unforeseeable circumstances

TENDER PROCEDURES

There are four main categories of tender procedure:

Open procedure – any supplier can request a copy of the tender documents and then submit a response.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 50 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Restricted procedure – the majority of contracts are awarded using this procedure. It is used when only a limited number of suppliers will be invited to submit a full tender. Based on a Pre-Qualification Questionnaire (PQQ) or similar assessment the public sector body will select those invited to tender.

Competitive dialogue procedure – designed to cope with particularly complex projects such as private partnership projects.

Negotiated procedure – used in more complex projects where there are a number of potential solutions or the overall price cannot be determined in advance.

REVIEWING TENDER DOCUMENTS

Tendering processes require stamina. Be confident in your tender choice and approach. A well-chosen tender opportunity increases your chances of success and reduces your risks, time-wastage and costs to your business. These tips will help you organise your approach and plan your tender.

Examine the tender request

The first step is to examine the tender request to check whether the opportunity is a good fit for your business. Tender request documents outline job requirements, list the criteria providers must meet, and provide instructions for the tender process. These tender documents are often referred to as invitations to offer (ITOs), requests for tender (RFTs) or requests for proposal (RFPs). Once you've found a tender you want to bid for, your planning begins.

Do your research

Gather as much information as you can about the requesting organisation or group and the details of the work they require. For example, does the company have a strong environmental concern? Is this tender particularly time-sensitive? What issues are driving the request for services? The more information you have about the customer the better you can tailor your tender to their needs.

Review any recent similar work you may have done. Analyse and scope your costs to ensure a good return on your investment in the project, should you succeed. Stay focused on what the tender is asking for. Attend any briefing sessions on the tender process if you can. If you have questions, contact the tender coordinator. This can also help you establish a rapport with key contacts in the business. Read the tender specifications and contract terms and conditions carefully, and familiarise yourself with policies, guidelines and laws for tendering. Carefully consider the risks you may encounter if you win the contract and how you will manage or minimise them.

Plan your marketing approach

Refer to your marketing strategy and prepare a short marketing plan tailored to your tender. Your marketing plan will help you define how you will market your business for this particular tender. You can use it to identify the key messages you will use in the tender and the products, information resources and reference material you will attach to the tender.

Confirm your business's capability for the job

List all of the components of the job. Identify the tasks and requirements you can confidently meet and any factors you are concerned about. Make sure you can deliver all of the goods or services required within the required timeframe. If you can't, consider partnering with another business. Also confirm you have the necessary licences, registrations or accreditations.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 51 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Plan your tender proposal

Plan to have your tender submitted before the deadline. Make sure you schedule completion dates for all components of the tender, particularly if other people - such as employees or a business partner - are writing parts of the tender. Take a systematic approach to your tender, creating a simple record document that allows you to keep track of your progress on preparing the tender. Identify one person who can coordinate the process and maintain the latest version of your tender document.

Consult all project contributors

In your planning, consult and involve all the people who will work on the project if you win it. Arrange a meeting at the outset of your planning process to plan the pitch and central proposals of your tender. You may also like to use this session to consider:

- the resources and budget you will allocate to preparing the tender
- the resources and budget you'll require should you win the contract
- factors influencing your prospects such as your competitors, your track record and the CVs of project contributors.

Set up a meeting or work-in-progress schedule to support your tender development process.

TENDER DOCUMENTS SHOULD ADDRESS THE FOLLOWING MATTERS:

- Specify the conditions for participation (ensure that a potential supplier has the legal, commercial, technical and financial abilities to fulfil the requirements of the procurement)
- detail the information and documents suppliers are to submit
- clearly identify the nature, scope and the quantity of goods and services required including outputs required for services or the functional and performance requirements for goods
- specify the criteria to be used in the evaluation of responses and detail the evaluation process
- detail the importance given to different criteria (if relevant)
- adopt a high degree of consistency for reporting to facilitate equitable comparison between responses; include standard response formats wherever appropriate
- specify the scope of financial information required from the supplier
- specify technical specifications wherever appropriate in terms of performance and functional requirements rather than design or descriptive characteristics
- base technical specifications on international standards where such are applicable and exist except where the use of an international standard would fail to meet the procuring entity's program requirements or would impose greater burdens than the use of a recognised national standard
- technical specifications may not require or refer to a particular trademark, trade name, patent, copyright, design or type, specific origin, producer or supplier unless there is no other precise or intelligent way of prescribing the procurement requirement; in such cases the term 'or equivalent' is to be used
- encourage the offer of innovative solutions which contribute to a department's ability to carry out its business in a more cost-effective manner
- consider environmental factors
- consider the supply chain relationship operating through a principal contractor
- identify a project contact person and the arrangements for receiving relevant information which may include briefing sessions and dissemination of additional information, procedures for submitting questions, arrangements for site visits or notification of changes to tender procedures
- clearly detail the tender delivery/submission/lodgement instructions.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 52 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

SUMMARY

Working out whether a new business opportunity is worth going for is an important skill. Tendering for contracts you have no realistic chance of winning wastes your time and that of the purchaser.

Does what they're looking for:

- Fit your company profile?
- Match your experience?
- Match your staffing and facilities level?
- Require a capital investment from you?
- Require you to show that you have successfully completed similar work in the past?
- Require you to have policies and systems in place such as health and safety, sustainability and standards and quality?
- Require you to obtain any additional accreditation or certification?

The answers to these questions will determine to some extent whether it is worthwhile for you to tender for the work or whether you need to improve your company fitness before you start to tender for this and other public sector work.

As a business, you may want to ask yourself the following questions:

- Does this opportunity match your marketing strategy?
- Who will you be competing against and what is the strength of that competition?
- Will you make sufficient margin on the sale or are you willing to bear the loss to get a foothold in a new market?
- What impact will it have on your cash flow?
- Would this sale take up spare capacity or warrant investment in a new plant or new machinery?
- Will this contract enable you to increase investment in your business and move to a new level?
- Would you have to recruit extra staff to take on this job?
- Does the contract give you the opportunity to develop new product lines?
- Does your performance of the contract depend on the performance of others (either another contractor or the public sector)?

THE PROSPECT OF PERUSING TENDERS ON A JOINT-CONTRACT BASIS

Joint contract - is one in which the contractors are jointly bound to perform the promise or obligation therein contained, or entitled to receive the benefit of such promise or obligation. It is a general rule that a joint contract survives, whatever may be the beneficial interests of the parties under it; where a partner, covenantor, or other person entitled, having a joint interest in a contract not running with the land, dies, the right to sue survives in the other partner.

Joint ventures - this is when two or more companies pool their resources to score maximum points. Thus a company that is entirely white owned that would score high points under past experience may want to create a joint venture with another company with less experience but with a high BEE status.



The term "joint tendering" refers to any of the following circumstances:

A joint tendering by suppliers of the same line of business- all suppliers participating in a joint tendering are in the same line of business.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 53 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

A joint tendering by suppliers of different lines of business- all suppliers participating in a joint tendering are in different lines of business.

Advantages of joint-tendering includes the following:

- Where permitting a joint tendering may facilitate the management of interface of work.
- Where permitting a joint tendering may facilitate effective competition.
- Where permitting a joint tendering may meet the needs of introducing new technical methodology or the use of patent.
- Other circumstances as prescribed by the responsible entity.

You may choose to tender with another business in a joint venture but remember to choose this partner very carefully. Make sure you have all the contract documentation in place detailing how profits will be split and what each party is required to deliver. It is recommended that you join with two or more other small businesses rather than one partner that's considerably bigger than you are. This will enable you to meet tender capacity and resource requirements.

TYPES OF CONTRACTS

Types of tender contracts includes;

Unit-price contract

For unit-price contracts. Contractors are required to quote rates for various items of work on the basis of the corresponding unit price.

Advantages of unit-price contract:

This form of contract ensures a more detailed analysis of cost by the Contractor. The authority concerned with accepting the tender can easily control the rates with reference to its own calculations and decide which of the tenders is favourable.

Since the Contractors are to write rates of individual items in figures as well as in words, it is not easy to form a ring during submission of tender and allot work to one of the Contractors without competition.

The Contractors work out the unit prices of all items of the Bill of Quantities in order to put them in the bid. Thus, an unworkable rated tender may be avoided, which leads to smooth progress and timely completion of the work.

Lump-sum contract

In this form of contract, the Contractor is required to quote a fixed sum for execution of the work completed in all respects. For such a contract, it is very important that the drawings and specifications be comprehensive and show in complete detail all features and requirements of the work.

Advantages of lump-sum contract;

The employer knows exactly what the work will cost.

Detailed measurements of the work executed are not required to be recorded except in respect of additions and alterations.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 54 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Contract with lump-sum and unit prices

In this form of contract, the Contractor is required to quote partly a fixed sum for execution of an entire structure completely detailed on the drawings, and partly unit prices which may be required for features of variable quantities such as excavation of drains for ponds.

Negotiated contract

When work is awarded on contract by mutual negotiation between the parties without call of tenders, it is said to be a negotiated contract. It may be in any of the forms mentioned above. Advantages of this contract are that it brings some economy in expenditure. The parties selected being always reliable and financially sound, ensure uninterrupted work with less chance of dispute.



Draft contracts consist of general provisions or general conditions and special provisions or special conditions. The general provisions set forth the rights and responsibilities of the parties to the construction contract and the surety, the requirements governing their business and legal relationships. Particular requirements of the project are separately inserted in the special provisions.

SEEKING EXTERNAL SOURCES AND EXPERTISE TO ASSIST IN COMPLETING TENDER DOCUMENTS

Once you have identified a tender that you would like to pitch for, you need to access and complete the tender documents. On this point, filling them out correctly plays a vital part in the potential success of your bid. It's not so much that it's difficult, but more that it requires you to be highly specific and pay close attention to detail, especially for government tenders. If you forget to include your price you will be disqualified. Deliver your tender one minute after the deadline and it won't even be considered. If your product or service does not comply with the specifications of the tender, your bid will be removed from the list and you would have wasted your time. For national and provincial government tenders you will need to fill out standard forms. Give yourself plenty of time to complete and post, courier or hand-deliver the documents by the deadline.



It's advisable to contact a Tender Advice Centre (or experts) who will help you get hold of and complete the tender documents correctly.

Sometimes when completing tender documents, the answer is to go to an expert, a creative company (or freelancer) to design and produce a professional tender document that has all the elements to create a successful sale. Your tender document is like a mirror. It's a direct reflection of your organisation and you as a person, and the reader will judge you. Remember, first impressions last. Although there are some great software tools for creating documents yourself, there is no substitute for some real creative input from someone who understands the fundamentals of creating a visually precise document.

PREPARATION

The following must be put into consideration when completing tender documents.

Do not rely on reputation

You may have the name but there is always a competitor who will go the extra mile to out-shine you for a new contract. Invest in your tender production and never get complacent with your existing contacts. Treat every tender as if it were your first for a client.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 55 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Timings

Plan ahead and take the time to get it right. Create the best presentation you can, both in terms of the information you need to present and the way you need to present it.

Competitive research

How does the competition look? What do they say about themselves? How can you differentiate yourself? Can you use their own information to your advantage in any way?

Be creative

Use creativity and design to compete with the “big-boys”! You may feel that if you are a smaller organisation your tender document will not be taken as seriously. But, if you present a tender as professionally as the competition, you're in with a chance. You may even gain the advantage if you can offer the same solution at a lower cost than the larger company.

DESIGN

How do you make yourself memorable? Is it your name? Your brand? Your corporate identity? Whatever it is, in addition to the quality content you produce for your tender, open your mind to the value some creative thinking and quality design input could bring to make you stand out from the competition. This could be through typography, illustration, tone-of-voice, or, quite simply, the professional design execution of your corporate guidelines. Creativity also adds value to the finished physical document. Here are some insights from a creative point-of-view.

BRANDING

Be confident with your brand. After all, this is who you are, what you are proud of and at the heart of “what” you are trying to sell to the reader. Don't be afraid to utilise the recipient's branding, but do use it appropriately. Do not try and mimic their collateral or house-style, you may fail, devaluing their identity and therefore your proposal. Concentrate on being confident in who you are.

PAGE LAYOUT

By using a clear and simple page structure in your document design, your information will be more legible and have more impact. Proper use of white space, margins and consistent page styling throughout your tender document will allow the reader to engage with each page.

CONTENTS AND PAGE NUMBERING

Make it easy for the recipient. Provide a table of contents, even an index if necessary, so they can easily get to the data that is pertinent to them. Ensure your page numbering corresponds with the contents and that your page numbers are legible and easy to find on each page.

SECTIONS

Break your tender document up into defined sections and consider using tabbed inserts in your presentation to differentiate them. If your content is placed into manageable “chunks”, they are far more likely to be read. Also, consider using colour-coding as a visual aid and relate this back to the contents section.

COLOUR

Use your corporate colour palette consistently and effectively. Use colour to break up sections in your design, define headings, create call-to-actions, or to draw the eye of the reader to any information you feel is key. Also, don't

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 56 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

overdo reversed text - white text out of a colour - as this will be more difficult to read when used on larger areas of copy.

TYPOGRAPHY

Utilise your corporate font consistently throughout your tender document, placing emphasis and clarity on headings and key information. Ensure that your body copy font is easy to read with a point size and leading (the space between lines of text) that allows for clarity. Finally, lower case text is proven to be easier to read for longer blocks of text so STAY AWAY FROM CAPITALISATION.

IMAGERY

If the design of your tender document requires imagery, make sure it is good quality and at a decent resolution for the final piece. When printed, a poor quality image at low-resolution will not look professional. Also, ensure your company imagery does not look too dated.

CONTENT

Spelling and grammar

It is vital that you spell-check and proof-read your tender document before you send it. If it reads poorly and is riddled with spelling mistakes, this will reflect on your levels of competence. Utilise colleagues to read your document. Is it legible? Does it make sense? Try showing a family member or someone who does not understand the subject. Can they still take away the key message?

Table and charts

If you are displaying data as a graph, or in a table, make the data clear and engaging within your design. Consider how the recipient will interpret your data. A dull page of figures may not stimulate interest in what could be your most important page of data. Similarly, a graph can also create an easy-to-interpret display of what could be complex data. Keep it legible and avoid complicated graphing styles that get in the way of the data you are presenting.

Copywriting

The value of a good copywriter to translate your content into easy-to-read and compelling words could make the difference when it comes to getting your message across effectively. Do not let your tender document suffer as a result of your inability to write in an engaging manner. Asking for help, accepting feedback, or even paying a copywriter to reshape your basic draft should be considered.

Testimonials

Although not always appropriate if you are tendering to a vertical market, a good testimonial is actual evidence of success. If genuine, the reader has a third party endorsement of the good work/service you are already providing for someone else. Use these to your advantage.

Personalisation

Why not make this personal? You should know the name of the company, and of the decision maker your tender document is being sent to. A tender document with personalisation has an extra dimension when it comes to engaging someone. Digital printing and variable data systems make personalisation very affordable to incorporate into your design.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 57 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

PRODUCTION

It is very important that you produce your tender document professionally. There is nothing worse than a tender document, however good the information inside, that has been printed on an office colour printer and thrown together into a folder. Chances are the colours will be off-brand, margins will move and you will be restricted to a white border on the outer edge of every page. Have your presentation printed, cut and bound by specialists, this will ensure that the first impression is excellent.

Templates

If you produce a number of tender documents for your business, why not design and produce templates with the option to overprint? This will ensure you are getting better value for money in the long-term by reducing the chances of unnecessary production and increasing the likelihood of consistent production. Create a set of design templates. Information can be replaced and updated, saving time by not having to start from the beginning each time. But, you must ensure brand consistency from one tender document to the next and be sure to proof thoroughly. Any reference to a previous tender, or company, could ruin your chances of success.

Stock

What stock (material) is your tender document printed on? Does it adhere to your corporate sustainability values? Do the delicate print finishes say “first-class organisation”? Have you even considered the impact a print finish could have on your design ideas? Specifying the appropriate material to print your tender document on, can add to the tactile experience of the reader. Remember, that you are not just limited to A4 paper. Get creative, but do remember the practical issues with size. Can it still be mailed? Will it sit in an in-box? A bit of lateral thinking may give you the edge.

Finishing

Do you need to be able to add further information to your tender document at a later date? Does the recipient need to be able to add anything? If so, why not produce an item that is flexible, like a folder or binder? It can still be branded, plus the binders can be bought in larger numbers if required. Another option is to purchase plain folders then produce a personalised sheet that is riveted in with the D-ring. This will add to the quality feeling of your tender document and demonstrate that you have considered who you are providing the proposal for and their needs beyond the initial delivery.

Tender carrier

If your tender document is made up of various pieces of documentation, consider how you will collate these items together. What will be the device that the various pieces go into? A well-produced tender put in a jiffy-bag will fail to impress. Creating a branded, individual carrier, be it a branded box, wallet, or the like, enhances the professional delivery of your tender. Furthermore, the additional container will ensure your valuable documents arrive cleanly and safely. The first impression your reader will receive is that you care about the documents and therefore the tender. Chances are, that will convey the message that you are the type of organisation that cares enough to be trusted.

Branded carrier sleeve

If your carrier/carton is not branded or personalised, or has been produced as a generic item, consider producing a sleeve that could slide over the item. This can be produced simply and cost effectively utilising a template. Simply update the name and/or branding of the recipient and produce digitally. This also enables you to produce the carrier in greater quantities and with more sophisticated finishes.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 58 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Delivery

Do not underestimate the value of the delivery process. Although you may have planned well in advance and your tender document is ready ahead of schedule, it may not be enough to rely on the ordinary mail to get it there for you. The additional cost of a dedicated courier could be perceived as excessive, but the value of your tender arriving before a deadline and being placed into the hands of the key decision maker is priceless if you win the business.

Deadlines

After all the blood, sweat and tears of getting the presentation perfect in every way... don't deliver late.

You will be eliminated from consideration, the hard work will have been worthless and your reputation will probably be taking a hammering.

In order to achieve the above, external sources and experts may be sought to assist in completing tender documents.

MODULE 2 - PART 2		
	PREPARE AND COMPLETE A TENDER DOCUMENT	SO 2
	Information is extracted from bidders meetings and tender documents.	SO 2 AC 1
	The tender requirements are listed and the venture's ability to comply is determined.	SO 2 AC 2
	A work breakdown/product itemisation is performed.	SO 2 AC 3
	Allowable unit costs for all work activities/product items are calculated.	SO 2 AC 4
	Profit mark-ups are implemented to produce selling prices	SO 2 AC 5
	The schedule of quantities/products/services are completed.	SO 2 AC 6

PREPARING AND COMPLETING TENDER DOCUMENTS

Professional, polished and thoroughly considered tenders win bids. Aim to prepare a persuasive, well-crafted proposal that demonstrates how you will comprehensively meet every need described in the request. A good tender is an opportunity to market your business. Write clearly and persuasively, and structure your tender so that it is easy to follow.

PREPARING A TENDER

Tendering processes require certain important information. The following tips will help you prepare each section of your tender.

1. USE PROVIDED TEMPLATES OR FORMATS

Your request to offer document will probably require certain word limits and file formats. Accurately follow all of the requirements for the document, demonstrating that you can follow and deliver on specifications. Make it easy for the tender review panel to consider your offer.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 59 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

2. STRUCTURE YOUR TENDER DOCUMENT CLEARLY

If the request documents haven't asked for a particular format or structure, keep your tender document clear, logical and well organised. Include a clear and persuasive introduction that states the purpose, rationale and central proposal of your bid.

3. PROVIDE ALL RELEVANT DETAILS

As with quotes, tenders must include certain information in order to be considered, including:

- a company profile
- whether you propose to subcontract
- the price for each of the products or services you propose and an indication of whether these are fixed or variable according to exchange rate or consumer price index variations
- any conditions affecting price
- delivery details and charges
- a proposed schedule indicating milestones or delivery dates
- whether goods or services are periodic or recurrent
- GST and other taxes
- applicable insurances
- intellectual property rights where relevant
- a description of any variations you propose in meeting the conditions of the contract.

4. ADDRESS THE SELECTION CRITERIA

Closely follow the criteria in the tender request. Provide specific examples of how you meet the requested criteria rather than simply stating that you do. Highlight your credentials and relevant experience, and indicate the approach you intend to take to meet the organisation's needs. Identify the requirements that are most important to them and cater for this in your tender. Don't stray from the criteria. Your attempts to add extra value by saying you will do more than they are asking for may confuse the tender panel or reduce your tender's relevance.

5. DISTINGUISH YOUR OFFER

Provide value for money. Price is not the sole indicator of value. Price-related value you can provide includes costs associated with acquisition, use, holding, maintenance and disposal of products or services. Non-cost value you can provide includes:

- the best match of products or services to the tender request
- quality service and support
- sustainability

Consider what you can add to your offer to make your proposal stand out. Examples include offering fast delivery, staff training or additional service after the tender. Make sure your proposed value precisely meets the organisation's needs. Describe the benefits the organisation will receive from your products or services.

6. SUBMIT YOUR OFFER ON TIME

Late or incomplete tenders are excluded from consideration barring exceptional, pre-agreed circumstances. If you are submitting online, do not leave your submission until the last minute in case you strike computer, system or internet problems. If your tender has to be posted, make sure you allow time for mail delays. If feasible, consider hand-delivering your tender to ensure it arrives at the right place and on time.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 60 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

EXTRACTING INFORMATION FROM BIDDERS MEETINGS AND TENDER DOCUMENTS

At a set date that is specified in the bidding documents, the regulator typically holds a pre-bid meeting. The purpose of the meeting is to allow potential bidders to ask questions and request clarifications. It should also be seen as a last chance to make some modifications to the project and bidding documents, based on suggestions and comments from potential bidders. These changes may be minimal depending on the type of industry- some industries have the opportunity to make comments and suggestions during the earlier public consultation process.

The pre-bid meeting can be open to all interested parties, or it can be restricted to companies that purchased the bidding documents. Both options are fine, and deciding on either is more dependent on logistical issues such as location and meeting room size. However, typically all participants are required to register (that is, provide their name, position, company and contact details). This enables the regulator later to distribute the pre-bid meeting minutes.

Use your unique selling proposition to distinguish your tender from your competitors. Consider advertising and promotional strategies that have worked well for you in the past. What gives you the edge? What can you offer that others won't?

7. USE THE RIGHT REFEREES

Use relevant referees and make sure you ask them if they are willing to be a referee before you include them. Brief them on the highlights of the request so they can keep their comments relevant to the job specifications.

8. PROOFREAD YOUR TENDER

Use spell check and if possible ask someone outside the process to read your tender, preferably a professional copy editor or proof-reader. If several authors have contributed to different parts of the tender, ensure one person reads the entire document for consistency.



Attendance at the pre-bid meeting is typically not mandatory. However, pre-bid meeting minutes which might include amendments to the bidding documents (either to clarify or modify based on feedback) are distributed to all entities that purchased the bidding documents as well as all additional entities that were represented at the pre-bid meeting.

It is helpful to start the discussion at the pre-bid meeting through a brief introductory presentation outlining the main features of the project and the key elements of the bidding process and bidding requirements.

The pre-bid meeting should be held early, for example, two to three weeks after bid document availability. This allows potential bidders time to thoroughly review the bidding documents and gives them enough time to prepare the proposal once they have received important clarifications, if applicable. The bidding process should also allow for written requests for clarification or comments, but this should be limited to a certain deadline similar to the process involved in the pre-bid meeting. Answers to written requests are published jointly with the pre-bid meeting minutes, or a separate document is issued and distributed to all potential bidders. Typically the written questions are treated anonymously.

The bidding documents should also include a date at which operators are required to register their intent to participate in the bid or to decline. The written clarifications of the questions can include a reminder of this deadline. While this cannot be legally binding, it is helpful for the regulator to see early on, if there is sufficient interest among operators to bid.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 61 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MANDATORY PRE-BID MEETINGS

Due to the importance of all bidders having a clear understanding of the specifications and scope of work requirements in certain solicitations, attendance at mandatory pre-bid conferences is a prerequisite for submitting a bid. Bids will only be accepted from those who are represented at the bid conference. Attendance at the pre-bid conference will be evidenced by the representative's signature on the attendance roster. Sometimes 4 meetings may be held which should be used to extract relevant information.

LISTING TENDER REQUIREMENTS

Each tender will have different specifications. Some may require you to be a "preferred provider". That is you must go through a process with a department separate to the tender process. Each tender or bid advert indicates where you can collect the documents you will need to fill in to submit your tender, and where they should be submitted. The advert also indicates a closing date. This is a very firm deadline; no late tenders can be accepted.

Look out for any compulsory site meetings or any other special conditions of contract as non-compliance can disqualify you.

Tenders or bids have to be in writing. Each tender has a number of associated forms which must accompany the tender you submit. The specific forms you require for your tender should be listed in the tender documentation. You should consider very carefully how you fill in these forms. Get advice if you are unsure of anything.

Submitting a tender is a great way to earn new business. Many large and small organisations regularly "go out to tender" to find and appoint suppliers for contracts. Businesses often use a tender process for large contracts or to appoint suppliers for a certain amount of time. For example, a tender could be used to appoint a supplier for a new building or a stationary provider for the next 12 months. When submitting a tender, it's important to remember that it's a highly competitive process, so it's imperative that you provide your best quote. Many organisations, particularly government agencies, will not negotiate prices once the tender has closed.

QUESTIONS TO ASK BEFORE YOU DECIDE TO SUBMIT A TENDER

Writing and preparing your response to a tender can be daunting, expensive and time consuming, and there' is no guarantee of success. Before deciding whether or not to submit a response, take a moment to consider the following questions:

- Do I meet the requirements specified in the Request?
- Am I able to fulfil all of the requirements myself or do I need to contract some of the work to another party? If so, to whom will I contract the work and how much will that cost?
- Do I have the financial capacity to deliver the requirements of the Request?
- Is there an actual or potential conflict of interest that could prevent me from making a response?
- Do I already have the resources to do the job?
- Is it going to be viable for me?
- Is it within my capacity to do the work?
- Have I read or am I familiar with all of the organisation's policies on purchasing?

Most tender documents also include a contact name. Use this contact to find out if there's any additional detail or information that may assist you in preparing your application. Showing interest and discussing the job will make you more memorable when the decision panel is analysing all of the submissions.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 62 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

WHAT TO PUT IN YOUR TENDER:

So, you have collected the document and you have decided that you want to tender. What do you put in your tender submission?

1. Focus on the client - talk about their needs and how you can solve their problems. When you write about yourself, it's to prove you have the skills, experience and the organization to fulfil the client's requirements.
2. Help the client by coming up with ideas - from alternative ways of doing things to how to tackle possible worries about future maintenance and staffing implications.
3. If the client has provided a qualification document, make sure that you cover everything in the document.
4. Value for money decides most bids, not simply the cost. Bring something to the work that can't be done by the client. Emphasise business benefits, service improvements, risk reduction, low maintenance, quality, reliability, previous satisfied customers plus lifetime costs and so on.
5. Analyze all the cost and pricing factors of the contract. Don't ignore fixed costs such as wages for staff who could be working on something else.
6. Contract management - show you have the resources to do the work in a cost-effective way to meet the client's needs, hit deadlines and respond flexibly to changing situations.
7. Show you have thought about and can manage potential financial, commercial, and legal risks that could cause contract failure.
8. Give details of your team. Emphasize strengths - CVs should highlight successes with similar projects as well as qualifications and experience.

COMPILING YOUR TENDER SUBMISSION

Now that you know what to put in the document, you must compile your submission. Each tender indicates a closing date. This is a very firm deadline and no late business tenders can be accepted.

Bids or business tenders in South Africa have to be in writing. Each tender has a number of associated forms, which must accompany the tender you submit. The specific forms you require for your tender should be listed in the tender documentation. You should consider very carefully how you fill in these forms. Get advice if you are unsure of anything.

The forms usually required for national and provincial business tenders in South Africa are the following:

1. THE BID

In this document you agree to be bound by the terms and conditions of the tender or bid.

2. TAX CLEARANCE REQUIREMENT

Your taxes must be in order to be successful with your tender or bid. This document has an 'Application for tax clearance certificate' form attached to it. You have to complete this form and hand it in at your nearest South African Revenue Services (SARS) office, to get a tax clearance certificate. You must then attach the original tax clearance certificate that you get from SARS, to the tender or bid documents. This certificate serves as proof that you are not in arrears with your tax payments.

3. PRICE AND MOTIVATION

Which of these documents you complete depends on the subject of the tender. In this form, you motivate your price, by describing the product you will supply or the experience of the person who will perform the service. This form is often amended for the particular tender, so carefully check which one you need to complete.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 63 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

4. DECLARATION OF INTEREST

This is the document in which you declare whether or not you have a relationship (friend, family, business leads) with anyone who works for government. This is so that those people are not involved in awarding the tender in any way, to avoid corruption.

5. PREFERENCE CERTIFICATE

You must fill in the form for tenders even if you are not claiming any of the preference points.

6. CONTACT FORM

This is the contract that binds the parties should the tender be successful. There are different forms for different contracts. There may be other forms to fill in for a specific tender or bid. These should be included with the tender or bid documents that you receive.

WRITING YOUR TENDER

Make sure that you match the bid specification and answer all questions. Summarise your bid and explain why it answers the client's needs. Write this last, yet include it at the beginning of your tender.

Clients will also expect you to:

- State the purpose and origin of the bid
- Summarise your work as a contractor, past experience and credentials for this job
- Say how you'll carry out the work, and how and when the client's aims will be achieved
- Explain the benefits and value for money of your bid
- Detail when and how goods and services are to be delivered, and provide a timetable
- Demonstrate your team's skills, experience of similar work and their responsibilities if you win the contract
- Explain how you will manage the project
- Give details of your pricing and any aftercare arrangements within the price
- Be practical and identify potential problems without promising what's clearly impossible for you to deliver

Include a covering letter that responds to the bid invitation, summarises your main message. Additionally, explain how the documents are organised.

PERFORMING A WORK BREAKDOWN/PRODUCT ITEMISATION

A work breakdown structure (WBS) is a chart in which the critical work elements, called tasks, of a tender are illustrated to portray their relationships to each other and to the tender project as a whole. The graphical nature of the WBS can help a manager predict outcomes based on various scenarios, which can ensure that optimum decisions are made about whether or not to adopt suggested procedures or changes.

When creating a WBS, the key objectives are defined first and then the tasks required to reach those goals are identified. A WBS takes the form of a tree diagram with the "trunk" at the top and the "branches" below. The primary requirement or objective is shown at the top, with increasingly specific details shown as the observer reads down.



A work breakdown structure is project network-modelling step in which the entire job is graphically subdivided into manageable work elements(tasks). WBS displays the relationship of each task to the other tasks, to the whole and the end product (goal or objective). It shows the allocation of responsibility, and identifies resources required and time available, at each stage for project monitoring and management. Also called activity decomposition chart.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 64 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

When completed, a well-structured WBS resembles a flowchart in which all elements are logically connected, redundancy is avoided and no critical elements are left out. Elements can be rendered as plain text or as text within boxes. The elements at the bottom of the diagram represent tasks small enough to be easily understood and carried out. Interactions are shown as lines connecting the elements. A change in one of the critical elements may affect one or more of the others. If necessary, these lines can include arrowheads to indicate time progression or cause-and-effect.

A well-organized, detailed WBS can assist key personnel in the effective allocation of resources, project budgeting, procurement management, scheduling, quality assurance, quality control, risk management, product delivery and service oriented management.

CALCULATING ALLOWABLE UNIT COSTS FOR ALL WORK ACTIVITIES

Tendering is concerned with the commercial aspects of bidding for and obtaining work by contracting companies. Measurement and accurate estimation of the cost of work is crucial to providing meaningful cost information for both the business and the client, and the process of bidding for a contract normally involves the contractor in accurately measuring the works required to enable the costs to be estimated in order to compile the tender.

Measurement and the estimation of costs is concerned with the practical activity of work activities/product items. The estimator needs to possess a detailed knowledge of all relevant activities involved in for example, constructing the building's elements, to enable the projected and final costs of all materials, plant and labour to be calculated accurately.



*The **unit cost** of a product is the cost per standard unit supplied, which may be a single sample or a container of a given number. When purchasing more than a single unit, the total cost will increase with the number of units, but it is common for the unit cost to decrease as quantity is increased (bulk purchasing), as there are discounts etc. This reduction in long run unit costs which arise from an increase in production/purchasing is due to the fixed costs being spread out over more products and is called economies of scale. The unit cost is usually defined by dividing the total costs by units of output.*

Work activities are descriptions of activities associated with specific business requirements that end users perform to accomplish their jobs, for example, activities that flow through different users as they are processed, or specific activities that one user performs.

Tenders are not always awarded purely on price or timescale, but you do need to show that you can deliver to cost and on schedule. Include a detailed timetable to demonstrate that you have thought about each stage of the project and know what is involved. Break your quote into sections with details outlining what is included in each, so the client can clearly see where their money will go if they award you the contract.

Consider the example below of how allowable unit costs for all work activities/ product items are calculated.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 65 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

TENDER SUMMARY			
1	SITE COSTS	TURNOVER	MARGIN
	(a) Materials (<i>Trade discounted plus value added</i>)	R 586,42	R 46,91
	(b) Labour (<i>Wages</i>)	R 468,00	R -
	(c) Labour (<i>Expenses</i>)	R 5,00	R -
	(d) Plant and Tools (<i>General</i>)	R 12,00	R -
	(e) Engineer's Expenses	R 5,00	R -
	TOTAL SITE COSTS	R 1 076,42	R 46,91
2	OVERHEAD CHARGES (<i>based on parts of the site costs</i>)		
	(a) Zero percent on part 1(a)	R -	
	(b) 30% on parts 1(b) 1(c) 1(d) and 1(e)	R 147,00	R 147,00
	(c) Insurance special (<i>other than recovered in 2(b)</i>)	R -	R -
	(d) Gaurantees (<i>any damaged materials, supplier</i>)	R -	R -
	(e) Other special finance	R -	R -
	TOTAL OVERHEADS	R 147,00	R 147,00
3	ADD FOR FIXED PRICE		
	(a) Materials	R 11,73	R -
	(b) Labour	R 9,72	R -
	(c) Overheads	R 3,00	R 3,00
	TOTAL ADDED FOR FIXED PROCER	R 24,45	R 3,00
4	TOTAL COST OF PRODUCTION	R 1 247,87	R 196,91
5	MARK-UP @ 5%	R 62,39	R 62,39
6	SUB-TOTAL	R 1 310,26	R 259,30
7	SPECIALIST SUB-CONTRACTOR COSTS		
	(a) Percentage added for fixed price	R -	R -
	(b) Mark-up	R -	R -
	TOTAL SPECIALIST SUB-CONTRACT	R -	R -
8	PRIME COST SUMS		
	(b) Mark-up	R -	R -
	TOTAL P.C SUMS	R -	R -
9	SUB-TOTAL	R 1 310,26	R 259,30
10	MAIN CONTRACTOR'S DISCOUNT	R 32,76	R -
11	TOTAL FOR DEFINITE WORK	R 1 343,02	R 259,30
12	PROVISIONAL / CONTINGENCY SUMS	R -	R -
13	SELLING PRICE	R 1 343,02	R 259,30
14	AS TENDERED	R 1 299,00	R -
	RECOVERY ... as detailed in standard form of sub-contract agreement		
	MARGINS ON PRIME COSTS @ ITEM 11. 19,3%		



ANALYSIS OF RATES

(Consider the following example based mainly on a construction tender)

In order to provide a correct and reasonable rate per unit for a particular item, a detailed surveyed called an "Analysis of rate" should be conducted on costs of materials, labour and equipment as required for the unit following its specification. The rate per unit of an item consists of the following:

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 66 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

QUANTITY OF MATERIALS AND THEIR COST

The quantities of various materials required per unit rate for an item are determined by the specifications. The cost of materials should be the cost on site. To calculate this, an analysis of rates of materials should be calculated separately. This includes the market cost of the materials, including loading and unloading costs, 10 percent profit, and transportation costs.

LABOUR COST

This includes the number of labourers, skilled and unskilled, and their respective wages multiplied by the hours required to complete per unit.

COST OF EQUIPMENT, TOOLS OR PLANT

Wherever possible, the cost of equipment should be allocated to a specific item of rate, i.e. the cost of operating a concrete mixer should be spread over those items for which it is used. For certain tools and plant it is difficult to allocate their use to an individual item of rate, and it is therefore suggested that this expenditure be included in overheads, i.e. establishment charges.

OVERHEAD OR ESTABLISHMENT CHARGES

These include such items as office rent and depreciation of equipment, salaries of office staff, postage, lighting, travel, telephone charges, plans and specifications, etc. They are usually 22% of the net cost of a unit of rate, and may increase to 5 percent.

PROFIT

In general, a profit of 10 percent is calculated for ordinary contracts after allocating all charges for equipment, establishment, etc. For small jobs 15 percent profit and for large jobs 8 percent profit should be considered as common figures.

For such items of work for which it is difficult to prepare an analysis of rate, a lump sum (L.S.) rate should be provided in the estimate.

SCHEDULE OF RATES OR DATA FOR COSTING

To facilitate the preparation of estimates and to enable them to be prepared in a uniform manner, a schedule of rates or data for costing each kind of work commonly executed is provided by different departments in each country. These usually include general conditions, general specifications, items of different works, data for transportation, materials and labour, method of rate analysis, plant rate analysis and basic unit rate analysis.

IMPLEMENTING PROFIT MARK-UPS TO PRODUCE SELLING PRICES

No matter what type of product you sell, the price you charge your customers or clients will have a direct effect on the success of your business. Though pricing strategies can be complex, the basic rules of pricing are straightforward:

All prices must cover costs and profits.

The most effective way to lower prices is to lower costs.

Review prices frequently to assure that they reflect the dynamics of cost, market demand, response to the competition, and profit objectives.

Prices must be established to assure sales.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 67 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Before setting a price for your product, you have to know the costs of running your business. If the price for your product or service doesn't cover costs, your cash flow will be cumulatively negative, you will exhaust your financial resources, and your business will ultimately fail.

- To determine how much it costs to run your business, include property and/or equipment leases, loan repayments, inventory, utilities, financing costs, and salaries/wages/commissions. Don't forget to add the costs of markdowns, shortages, damaged merchandise, employee discounts, cost of goods sold, and desired profits to your list of operating expenses.
- Most important is to add profit in your calculation of costs. Treat profit as a fixed cost, like a loan payment or payroll, since none of us is in business to break even.
- Because pricing decisions require time and market research, the strategy of many business owners is to set prices once and "hope for the best." However, such a policy risks profits that are elusive or not as high as they could be.

When is the right time to review your prices? Do so if:

- You introduce a new product or product line;
- Your costs change;
- You decide to enter a new market;
- Your competitors change their prices;
- The economy experiences either inflation or recession;
- Your sales strategy changes; or
- Your customers are making more money because of your product or service.

MARK-UP PRICING

Mark-up is the major profit expected from the contract, for example, 5% of the total production cost item (4) in the tender summary. For instance, in all forms of building sub-contracts, it is normal practice to have the final, (5% of total), payment withheld for a period of up to 12 months after completion of the work. The developer uses this as a lever to ensure all warrantee work is completed before final payment is made. Usually, the profit is made to equal the likely final payment of the sub-contract.

However, the actual profit may be subject to variations according to external market considerations. Nevertheless, the mark-up should not be lower than the likely interest paid to the bank for borrowing up to 60% of the contract material costs over the contract period.



Mark-up is the difference between the cost of a good or service and its selling price. A mark-up is added on to the total cost incurred by the producer of a good or service in order to create a profit. The total cost reflects the total amount of both fixed and variable expenses to produce and distribute a product. Mark-up can be expressed as a fixed amount or as a percentage of the total cost or selling price. For example, if the cost of the product is R100 000 and your selling price is R140 000, the mark-up would be R40 000. (Mark-up = Sale price – Cost). To find the percentage of mark-up on cost, divide the rand amount of mark-up by the rand amount of product cost.

COMPLETING THE SCHEDULE OF QUANTITIES/PRODUCTS/SERVICES

As already outlined, a tender is a written bid submitted by a Contractor in pursuance of the notification given, to execute certain work at calculated rates with the terms and conditions laid down in the tender documents. Before submitting a tender document, the schedule of quantities, products or services must be complete.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 68 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

SCHEDULE OF QUANTITIES

A bill of quantities or schedule of quantities consists of a complete list of all various items of works for a project, giving the item number and description of items with unit and quantity of work against each, thus enabling an estimated calculation of price of work. The bill of quantities is prepared from drawings and specifications and is arranged in a tabular form without completing columns of rate and amount. An example of a bill of quantities for construction of outlets is shown below.

BILL NO..... CONSTRUCTION OF OUTLETS					
Item	Description of items	Unit	Quantity	Rate	Amount
				SA. R.	SA. R.
1.	Earthwork in excavation in foundation as per specification	m ³	225		
2.	C.C. M-100 (1:3:6) in foundation	m ³	4.10		
3.	Supplying and laying SPIGOT	pc	40		
	R.C.C. pipe f 300 mm				
	Class S each L = 2.44 m				
4.	R.C.C. M-150 (1:2:4) in monk structures and harvesting box	m ³	21.5		
5.	Formwork	m ²	240		
6.	Steel reinforcement bars in outlets, harvesting box and precast foot planks	kg	890		
7.	4 in thick cement block lining in 1:3 CT mortar in harvesting box	m ²	11.6		
8.	C.C. M-150 (1:2:4) in bed protection	m ²	10		
9.	Precast R.C. M-150 (1:2:4) foot planks				
		a) 2.50×0.25×0.10	pc	2	
		b) 1.00×0.25×0.10	pc	18	
10.	Prefab concrete M-150	pc	50		
	(1:2:4) slabs (40×50×8 cm)				
	to harvesting box				
11.	Stop logs measuring 59×25 cm	pc	170		
12.	Screens measuring 590×500 mm	pc	10		
13.	Refilling foundation pits as per specification	m ³	155		
			TOTAL		

The work of a project is usually divided into separate elements for payment purposes with respect to the kind of work involved, each element as a separate bill designated as a payment item. The total price of a bid is obtained by summation of the amounts for all items scheduled in the tender, arrived at by multiplying the estimated number of units for each item by the corresponding unit-price bid. A sample summary used for bill of quantities and contract cost is shown in the table below.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 69 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

BILL OF QUANTITIES AND CONTRACT COST (Summary)		
Bill No.	Description	Amount SA. R
1.	Clearing and preparing of site	22 540.00
2.	Construction of dikes and forming pond bottoms	72 150.00
3.	Excavation of drains	10 937.50
4.	Construction of culvert under access road	4 889.25
5.	Construction of feeder canals	21 392.66
6.	Construction of outlets	30 659.98
7.	Construction of inlets	8 471.50
8.	Dressing of dikes	14 500.00
	A. Total cost of Work	185 504.89
	B. Provisional Sum at 15%	27 931.15
	C. GRAND TOTAL including Provisional Sum	213 472.04

SCHEDULE OF EXECUTION

The Contractor must complete the work and services of the project to be executed under the contract in accordance with the schedule of execution. Schedules may be performed in either tabular or graphical form, although the graphical form is generally used because of ease in visualization.

The most widely used graphical presentation of schedule of execution is the rectangular bar chart. It shows starting and completion dates for each item of work. It indicates the items on which work must proceed concurrently, items that overlap others and by how much, and the items that must be completed before work on others can begin. It is a convenient way to advise the Contractor of necessary material delivery dates.

For comparing performance of work with that scheduled, a bar is usually placed above the schedule bar showing actual start and completion dates. For example, the chart for a construction site may indicate that clearing and preparing of site started on the date programmed and was completed ahead of time whereas construction of outlets began late. At the close of August for example, construction of outlets was 75% complete. This method has the advantage of being simple. It can be used for a small-scale project, however a more detailed schedule of execution is required for a large-scale project. In this case bar charts have to be separately prepared for performance of work items and others showing materials and different machinery needed for all items of works.

BIDDING SCHEDULE

The bidding schedule is a very important document on which the contractor summarises his bid including the total price of bid, the load bearing capacity of the soil (for example, for a construction tender) at the site on which the bid is calculated and confirms as well as signs the terms and conditions of the contract. There are various forms of a bidding schedule.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 70 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

TIPS FOR WRITING A TENDER PROPOSAL

A tender is a formal written proposal for completing a specific job as is requested by another company that is receiving the proposal. Basically, a company that needs services or goods supplied to them sends out a request for tender (or RFT) and interested companies place their bid, or tender, in order to get the job. Writing a tender can be a lengthy and tedious process. All the relevant issues must be covered in order as they appear on the RFT. The tender must be written in a clear and organized fashion that also reflects a company's professionalism. But why go through the trouble of writing a tender? Why not just have a simple understanding of the job specifics?

The answer is because that is a good way to lead to a misunderstanding. A tender is like a contract in that it lays out in writing exactly what a company or business will do to complete the job. Also, when it comes to financial matters, the company that issued the RFT will want to compare prices from all the different bids. However, you write a tender proposal, it must contain three main documents; the quotation, terms and conditions, and a letter of agreement.

THE QUOTATION

The first document is a written quotation on the job specifics. It outlines the job background and requirements, sets limit of services, and shows the price for the services offered. Most clients are going to want an exact amount of how much the offered services are going to cost. Sometimes this just isn't possible so an estimate must be given. As long as the client understands that it is only an estimate and the price may fluctuate a bit, then everything is good.

Before you write out a quotation, do a little research into the job so you can make your bid as accurate as possible. If needed, ask some questions of the client. For instance, make sure of the specific products or services needed. Check to be sure who will be handling these products or services on the client's end. Once you get all of the information, you can add it to your quotation.

Although tender quotations can vary depending on the job, most will include the following:

Basis of the Tender – These are the general rules about what will be documented. This is to set up clearly exactly what is expected and what you will be working with. If it turns out that conditions change and it is more work involved than was documented, then that will be basis for asking for additional payment.

Background to the Work – This section gives a highly detailed overview of the product or service and what it is used for. This helps the client easily understand exactly what you are offering so that there are no misunderstandings later.

Product or Services – You should give a very specific and itemized list of the products or services that are being offered for the bid. Include the price for each service with all costs totalled at the end. As mentioned earlier, if you can't be specific, try to give a close estimate to the actual cost. Sometimes you might need to give the client a set of options. For example, if the client orders more than X amount of a product, they might receive a discount. By giving the client a few options on pricing, it makes your tender seem more flexible and competitive.

Provisions of Materials – This basically outlines who supplies what. Sometimes the client offers to supply certain materials or services so it needs to be clearly stated in the document.

Time Allowed for Delivery of Product or Services – This is the time period on how long it will take you to complete the job. This can be very hard to calculate for large jobs so most bidders will give a close estimate.

Errors and Responsibilities – People occasionally make mistakes, if you are submitting a tender on a large project, chances are that there will be an oversight somewhere. By stating who is responsible for what errors, it will dispel any future disputes. A final checklist should be completed by the client to ensure satisfaction in the delivery of products or services.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 71 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Validity Period of Tender – This gives a time period that the quotation is good for. Prices for materials can change over a short amount of time and if a client waits beyond the validity period, then a new quotation may have to be given.

TERMS AND CONDITIONS

The second piece of documentation that every tender needs is terms and conditions. Most tender writers include a standard terms and conditions that apply to all jobs. Most terms and conditions will state the rules of the job and the standards expected from you, the bidder. Terms and conditions can cover approval of delivery of products or services, access to client information, and what constitutes additional charges.

A big advantage to including a terms and conditions document into a tender is that the information is not confidential, it can be handed out freely to other job requests, and it outlines the general framework for how you and your company operate to complete a job.

LETTER OF AGREEMENT

The third piece of documentation for a tender proposal is a letter of agreement. The letter can be very general or very specific, depending on the job. A letter of agreement will state when the job will start, give a target date for the completion of each product or service, and payment terms. Most tenders state that payment must be made within 30 days upon completion of a part of or whole of a job.

OTHER ISSUES TO WRITING A TENDER PROPOSAL

Besides the three main pieces of documentation, a tender proposal should contain a few important things about you and your company.

Executive Summary – This summary explains why the client should pick you over the competition. It is your chance to sell yourself and convince the client that your company is the best for the job.

Company Profile and Background – You should always explain a bit about your company, who they are, and what products or services they are into.

List of Resumes and Qualifications – Just like applying for any other job, you should always include a resume on other completed jobs and responsibilities during those jobs.

Safety Plan – This is important if you will be using heavy machinery, chemicals, or anything else that could be hazardous or harmful. Clients like to know what your contingencies are if there is an accident and what you are prepared to do to prevent one.

Finally, make sure everything is correctly filled out. Mistakes may cost you the job.

MODULE 2 - PART 3		
	SUBMIT A TENDER DOCUMENT	SO 3
	The tender completed tender document is checked to ensure compliance to criteria outlined in tender document.	SO 3 AC 1
	Information relating to tender submission is extracted from the tender documents.	SO 3 AC 2
	The tender is submitted within the time, manner and criteria stipulated in the tender document.	SO 3 AC 3

	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 72 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

SUBMITTING A TENDER DOCUMENT

Preparing and completing a tender document requires a lot of time and money. After the hard work, it is of great importance for the organisation to submit a well-documented tender document. The information must be accurate, complete and comply with criteria outlined in the tender document.

TENDER CHECKLIST

It is always a good idea to use a checklist when tendering, to make sure you cover all the aspects required. This is a typical checklist, but you should develop your own checklist based on the requirements of each tender.

ITEM	DESCRIPTION
PLANNING YOUR RESPONSE	
Have you registered your interest in this tender?	If you receive your copy of the tender document from a third party, register your interest with the contracting agency so that you receive any amendments.
Do you understand all the requirements?	Make sure you have read the tender document and highlighted important points.
Do you need clarification?	If you do not understand something, talk to the agency contact.
When is the closing date?	When does the tender close and where should it be lodged? Late tenders will not usually be accepted.
Are you fully informed?	Make sure you attend any pre-tender briefing sessions.
Can you complete the entire contract in-house?	Can you complete the contract in-house or will you need to sub-contract or form a consortium? If you need outside help make sure you give others enough time to provide input into the tender.
What are the evaluation criteria?	Determine the criteria against which your tender will be evaluated and note any weighting placed on each of the criteria.
Do you need a tender response strategy?	For high value tenders you may wish to determine at an early stage if you can provide a competitive solution.
What are the contract terms and conditions?	Read the contract terms and conditions and make sure you can comply.
Have you identified how to respond?	How does your response need to be submitted - in a paper format or have electronic copies also been requested? How many copies are required?
What format do you respond in?	Are there any mandatory tender forms to be completed? If there are, and they have not been included, your tender will be considered incomplete and will be eliminated.
PREPARING YOUR RESPONSE	
Is your response in a simple format?	Your tender will be evaluated on content not on an elaborate presentation.
Are there tenderers response schedules?	If tenderers response schedules have been provided, use them.
What numbering has been used in the tender document?	If no set format for responding has been specified, follow the general format and numbering of the tender specification.
Have you answered all the specified requirements?	Prepare a checklist and tick each of them off as you answer them.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 73 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Have you provided all the information requested?	Have you been requested to supply other information and documents?
Have you indicated whether you comply with the conditions of contract?	If you exceed the requirements, or only partially comply, have you provided a detailed explanation?
Are there Quality Assurance requirements?	Are any supporting documents required? Are they attached?
Have you demonstrated your ability to meet all of the selection criteria?	Make sure you have clearly demonstrated (not just asserted) your ability to fulfil all the mandatory criteria.
Have you completed the price or cost schedule for all items you are tendering?	Have you included your costing for all items and followed the GST requirements?
Are you offering value for money?	Have you pitched competitively?
Have you contacted your referees to confirm they are willing to be a referee?	Are referee contact details correct?
Have there been any amendments?	Have there been any tender amendments issued and have you addressed these?
Is this an alternative tender?	Have you clearly identified that this is an "Alternative Tender"? Check with the agency first to confirm that an alternative proposal will be considered.
SUBMITTING YOUR RESPONSE	
Have you signed all the appropriate forms?	Have you correctly signed all appropriate tender forms?
How can you send your response?	Can a fax or electronic lodgement be sent or is a hard copy required? How many copies are required?
What needs to be on the tender envelope?	Check to see if specific information is requested to be on the tender envelope - back and front - and how this is to be presented.

TIPS ON EDITING YOUR TENDER

It is well worth spending some time looking at the presentation of your tender. Here are some tips on editing and supplying your tender:

- Keep sentences and paragraphs short, punchy and business-like.
- Use bullet points and headings to break up text.
- Decide on a typeface, layout and type size - not too small - and stick to them.
- Make sure everything is consistent. Are CVs all presented in the same way?
- Be careful when cutting and pasting text to make sure the format stays the same.
- Make sure you have developed a logical argument.
- Read everything again. Then get a colleague to read it - checking for meaning, typing mistakes and omissions.
- Use appendices for supporting additional information.
- Produce a front cover with the project title, date, name of the organisation requesting the tender and that of your own firm.
- Number paragraphs and provide a contents page so material can be easily found.
- Consider getting it printed and bound professionally - if the client has asked for hard copies rather than submission via email.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 74 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Above all, make sure the tender is delivered on time - it is unlikely that organisations will consider your tender if it arrives after the closing date. You may want to deliver it yourself, by hand, to ensure it arrives safely, or by courier for secure delivery. Alternatively, contact the organisation to check they have received it.

TIPS FOR TENDERING

The following are common mistakes made when tendering:

1. Always provide all of the information requested by in the tender application. Do not forget things like your tax clearance certificate and shareholding certificates. Note: out-dated tax clearance certificates are also not allowed.
2. It is important that the calculations of tender prices is correct. Check and DOUBLE-CHECK this!
3. Often, those working on a business tender in South Africa misinterpret the scope of the work. If you are unsure of anything in the tender, be sure to ask.
4. Always sign your bid document. Unsigned documents are unresponsive and will therefore be disqualified.
5. If you are an HDI, remember to claim your points. Points unclaimed are points lost!
6. Make sure that you drop the tender into the right box, before the closing time. By law, no late bids will be accepted, not even 1 second past the closing time.
7. If samples are requested, sufficient amounts must be supplied to enable the item to be evaluated under the appropriate technical or clinical conditions. Ensure that any requirements related to compliance with SABS specifications are met.

TIPS FROM THE PROCUREMENT OFFICIALS

1. Always read through the bid documents carefully.
2. Complete the document in full.
3. Do a proper cost analysis when calculating your bid prices. Bids calculated too high or too low are considered unresponsive.
4. Enquire about the bid and obtain all the relevant information before completing the tender document.
5. Feel free to ask why you were unsuccessful so that you may learn from mistakes made.
6. Make sure that you are able to meet all the requirements within the specified time and are able to honour your offer in the event that your bid is successful.
7. Do not make any misrepresentations or false statements in your bid documentation. It is a legal document and therefore enforceable by law.
8. Quality services and products will improve your track record and good standing with the department. Poor delivery creates a negative impression not only for your business contacts but for all small businesses in general.

INFORMATION RELATING TO TENDER SUBMISSION

Tenders must be submitted in such that they are received before the deadline specified in the letter of invitation to tender. They must include the requested documents that is, all the completed and signed forms. Information relating to tender submission must be extracted from the tender documents. For example, a tender may be submitted by recorded delivery via international carrier to the specified address in the tender document.

It is important to note that tenders submitted by any other means may not be considered. For example, if the tender document specified that tenders must be submitted using the double envelope system, that is, in an outer parcel or envelope containing two separate, sealed envelopes, one bearing the words "Envelope A - Technical offer" and the other "Envelope B - Financial offer" if this is not followed the tender may not be considered. This means that all parts

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 75 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

of the tender other than the financial offer must be submitted in Envelope A (including the Tender submission form, statements of exclusivity and availability of the key experts and declarations).

Any infringement of these rules (for example, unsealed envelopes or references to price in the technical offer) is to be considered a breach of the rules, and will lead to rejection of the tender.

The outer envelope should carry the following information:

- a) the address for submission of tenders indicated above;
- b) the reference code of the tender procedure to which the tenderer is responding (that is, publication reference);
- c) the words "Not to be opened before the tender-opening session" and equivalent phrase in local language;
- d) the name of the tenderer.

THE PAGES OF THE TECHNICAL AND FINANCIAL OFFERS MUST BE NUMBERED.

In short, an organisation must place a tender in an envelope with the tender number on it and deliver it before the closing time. The organisation should deliver it to the place specified when the tender was advertised.

SUBMITTING TENDER WITHIN THE TIME, MANNER AND STIPULATED CRITERIA

The process of submitting tenders is a process that does not occur in isolation but is intimately related to the general flow of the market awareness and the awarding process that administrations usually fulfil through the following activities:

- Prepare request for proposals (internal administration works)
- Publish tender notification (market awareness)
- Request for tenders (market awareness and equal treatment)
- Tender preparation (internal economic operator works)
- Submitting tenders (confidentiality and equal treatment)
- Awarding Process (transparency and equal treatment)
- Publish awarding notice (transparency)

Focusing on tender submission, there are two main different architectural approaches:

- Human to machine interface. A browser is needed to complete the tender submission.
- Machine to machine interface. A system in which the economic operator is in charge of tender submission. A complementary system in public administrations has to receipt and registry the tenders.

In the human to machine model, the tenderer accesses the contracting authority website and uploads his tender. This process requires the economic operator having a web browser and interacting with the contracting authority systems, uploading tenders and other relevant documents.

In the business-to-business model, a tenderer could send his tender documents from his actual application directly to the contracting authority application. The submission should be done using public or private networks (PEPPOL, internet...) as with any other type of electronic procurement document. In the case of the tender, and due to the requirements above, the sender always must get back a technical receipt issued by the receiving administration verifying the reception of the message on time.

In both cases requirements on confidentiality, transparency, equal treatment and all the other functional and non-functional requirements specified in the Requirements section apply. Tenders must therefore be submitted within the time, manner and criteria specified in the tender document. You should ensure that you submit your tender on

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 76 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

time and preferably get it in well before the deadline as it will reflect badly on your company if it is even five minutes late. You should also make sure you have included all of the information that has been asked for and, if you are then asked for any further information, you should supply it as soon as you can to avoid any delays and smooth your path to success.



Technically, the more suitable technological ways to preserve confidentiality of electronic documents and provide transparency on the whole process and equal treatment of the different economic operators are:

- Encrypting the submitted documents.
- Restricting access to the submitted documents, setting up a “tender box” system that prevents unauthorized access to documents until a given date.
- Not submitting the actual document but a digested representation such as a detached digital signature, setting up a two-phase submission model.

All those mechanisms can protect tender confidentiality both in human to machine or machine to machine scenarios, the main difference among all them are the requirements on tools that are required both for the contracting authorities and economic operator’s systems.

At the delivery point, tenders are opened and respondents are allowed to join the tender opening process. All business tenders in South Africa are opened in public where the name of the company is announced with the tender prices and associated costs.

	LEARNING ACTIVITY 2:	SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119712
Instructions	<p>Complete this task in the workbook provided.</p> <ol style="list-style-type: none"> 1. What is a tender 2. State the stages in the tendering process. 3. Explain why should tender documents should be reviewed. 4. Have you ever been involved in a tendering process as an individual or organisation? List tender requirements that you were supposed to meet. Were you able to comply with the requirements? 5. What is a schedule of quantities? 6. Explain the importance of submitting a tender within the time, manner and criteria specified in the tender document. 	
Method	Writing and Discussion with Mentor / Facilitator	
Resource	The web, your own research and your mentor / facilitator	

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 77 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

MODULE 3: MARKETING YOUR BUSINESS

MODULE 3: LEARNING OUTCOMES

IMPLEMENT MARKETING PLAN
Marketing concepts outlined in business plan are integrated into business activities and tasks and activities drawn up accordingly
Suitable ways in which to promote product/service of new venture are determined and implemented according to marketing plan
Selling techniques are utilised to promote product/service
Customer relations practices are implemented to ensure customer satisfaction
NEGOTIATE A DEAL WITH A CUSTOMER
Basic principles of negotiation that are utilised to secure new business are outlined and explained with examples
The principles of planning for negotiations are explained and implemented according to own business context and market research
Appropriate negotiation techniques are applied to own venture and business contexts
OUTLINE PROCESSES AND PRINCIPLES FOR COMPLETING BASIC QUOTES
The different types of offers are explained in relation to securing business transactions
Principles and procedures for compiling quotes are identified and explained in relation to own business context
Support in compiling quotes is sought where necessary in order to ensure full understanding of the criteria that apply
The common pitfalls in quoting and order taking are explained with examples in relation to own business venture
OUTLINE PROCESSES AND PRINCIPLES FOR COMPLETING TENDER DOCUMENTS
Tendering principles pertaining to commercial and public tenders are explained with examples
The risks associated with tendering are identified and basic risk management procedures are implemented according to own business context
The financial advantages and disadvantages of a tender are analysed to determine if it would make business sense to submit the tender
Support is sought to complete tender documents where relevant in order to ensure full understanding of tendering conditions and criteria

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 78 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 3: MARKETING YOUR BUSINESS

UNIT STANDARDS IN THIS MODULE	119672	MANAGE MARKETING AND SELLING PROCESSES OF A NEW VENTURE	
	IMPLEMENT MARKETING PLAN		SO 1
	NEGOTIATE A DEAL WITH A CUSTOMER		SO 2
	OUTLINE PROCESSES AND PRINCIPLES FOR COMPLETING BASIC QUOTES		SO 3
	OUTLINE PROCESSES AND PRINCIPLES FOR COMPLETING TENDER DOCUMENTS		SO 4
	Marketing concepts outlined in business plan are integrated into business activities and tasks and activities drawn up accordingly.		SO 1 AC 1
	Suitable ways in which to promote product/service of new venture are determined and implemented according to marketing plan.		SO 1 AC 2
	Selling techniques are utilised to promote product/service.		SO 1 AC 3
	Customer relations practices are implemented to ensure customer satisfaction.		SO 1 AC 4
	Basic principles of negotiation that are utilised to secure new business are outlined and explained with examples.		SO 2 AC 1
	The principles of planning for negotiations are explained and implemented according to own business context and market research.		SO 2 AC 2
	Appropriate negotiation techniques are applied to own venture and business contexts.		SO 2 AC 3
	The different types of offers are explained in relation to securing business transactions.		SO 3 AC 1
	Principles and procedures for compiling quotes are identified and explained in relation to own business context.		SO 3 AC 2
	Support in compiling quotes is sought where necessary in order to ensure full understanding of the criteria that apply.		SO 3 AC 3
	The common pitfalls in quoting and order taking are explained with examples in relation to own business venture.		SO 3 AC 4
	Tendering principles pertaining to commercial and public tenders are explained with examples.		SO 4 AC 1
	The risks associated with tendering are identified and basic risk management procedures are implemented according to own business context.		SO 4 AC 2
The financial advantages and disadvantages of a tender are analysed to determine if it would make business sense to submit the tender.		SO 4 AC 3	
Support is sought to complete tender documents where relevant in order to ensure full understanding of tendering conditions and criteria.		SO 4 AC 4	

MODULE 3 - PART 1

	IMPLEMENT MARKETING PLAN		SO 1
	Marketing concepts outlined in business plan are integrated into business activities and tasks and activities drawn up accordingly.		SO 1 AC 1
	Suitable ways in which to promote product/service of new venture are determined and implemented according to marketing plan.		SO 1 AC 2
	Selling techniques are utilised to promote product/service.		SO 1 AC 3
	Customer relations practices are implemented to ensure customer satisfaction.		SO 1 AC 4

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 79 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

IMPLEMENTING MARKETING PLAN

INTRODUCTION

It doesn't matter what size your business is; Marketing Plan Success can help you take your Marketing Plan from paper to profits. Planning good strategies is only the beginning. A brilliant Marketing Strategy is pointless if your company doesn't know how to implement it properly. Marketing Implementation is what turns marketing plans into marketing actions. Implementation is the day-to-day activities that will effectively put your plan into action. In your marketing plan you focus on the what and why, but in the implementation process you focus on the who, where, when, and how. Proper implementation can give a company the edge in a market with similar market plans. If a company is better and faster at execution, they are sure to have the advantage in terms of market share.

In order to properly implement your marketing plan you must:

- Be sure to always check your progress. Know what's working and what isn't. Doing so will help you stay on top of programs that need work and can build from programs that are working
- Be sure and reward employees for jobs well done. When goals are met, deadlines, and so on, make sure to congratulate your people
- Always try new things. Never sit on your hands. The market is always changing, as such, so should you.
- Not jump ship too soon. Give you plan time to work. If it's not working, don't give up. Work with your team, let them help you succeed
- Ask for feedback. Ask companies you work with how you are doing. Ask team members if they are pleased with how the "plan" is going and how it may be improved

A successful marketing plan depends upon how well a company can blend its people and get the job done. If everyone is on the same page and know what it is they are striving to accomplish, the possibilities of success, are endless.

DEFINITION OF KEY TERMS



Marketing: is the management process through which goods and services move from concept to the customer. As a practice, it consists in coordination of four elements called 4P's: (1) identification, selection, and development of a **Product**, (2) determination of its **Price**, (3) selection of a distribution channel to reach the customer's **Place**, and (4) development and implementation of a **Promotional** strategy. As a philosophy, marketing is based on thinking about the business in terms of customer needs and their satisfaction. Marketing view the entire business process as consisting of a tightly integrated effort to discover, create, arouse, and satisfy customer needs.

Marketing concepts: is a management philosophy according to which a firm's goals can be best achieved through identification and satisfaction of the customers' stated and unstated needs and wants.

Marketing plan: product specific, market specific, or company-wide plan that describes activities involved in achieving specific marketing objectives within a set timeframe. A market plan begins with the identification (through market research) of specific customer needs and how the firm intends to fulfil them while generating an acceptable level of return. It generally includes analysis of the current market situation (opportunities and trends) and detailed action programs, budgets, sales forecasts, strategies, and projected (pro-forma) financial statements.

Business plan: is a written document that describes in detail how a new business is going to achieve its goals. A business plan will lay out a written plan from a marketing, financial and operational viewpoint. Sometimes a business plan is prepared for an established business that is moving in a new direction. A business plan includes a description of a company or small business, its services and/or products and how the business will achieve its goals. The plan

PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 80 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

includes the overall budget, current and projected financing, a market analysis and its marketing strategy approach. In a business plan, a business owner projects revenues and expenses for a certain period of time and describes operational activity and costs related to the business. The idea behind putting together a business plan is to enable owners to have a more defined picture of potential costs and drawbacks to certain business decisions and to help them modify accordingly before implementing these ideas.

Customer: is a person, company, or other entity which buys goods and services produced by another person, company, or other entity.

INTEGRATING MARKETING CONCEPTS INTO BUSINESS ACTIVITIES

The marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets. The marketing concept rests on four pillars:

- Target market
- Customer needs
- Integrated marketing
- Profitability

Target market

No company can operate in every market and satisfy every need nor can it always do a good job within one broad market.

Customer needs

Marketing is about meeting needs of target markets profitably. The key to professional marketing is to understand their customers’ real needs and meet them better than any competitor can. Some marketers draw a distinction between responsive marketing and creative marketing. A responsive marketer finds a stated need and fills it. A creative marketer discovers and produces solutions that customer did not ask for but to which they enthusiastically respond.

Integrated Marketing

When all the company’s departments work together to serve the customer’s interests, the result is integrated marketing. Integrated marketing takes on two levels. First, the various marketing functions-sales force, advertising, product management, marketing research, and so on – must work together. Second, it must be well coordinated with other company departments. The company is doing proper marketing only when all employees appreciate their impact on customer satisfaction. To foster teamwork among all departments, the company carries out internal marketing as well as external marketing. External marketing is marketing directed at people outside the company. Internal marketing is the task of successfully hiring, training, and motivating employees who want to serve the customers well. In fact internal marketing must precede external marketing. It makes no sense to promise excellent service before the company’s staff is ready to provide excellent service.

Profitability

The ultimate purpose of the marketing concept is to help organizations achieve their goals. In the case of private firms, the major goal is profit. Marketing managers have to provide value to the customer and profits to the organization. Marketing managers have to evaluate the profitability of all alternative marketing strategies and decisions and choose most profitable decisions for long-term survival and growth of the firm.

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 81 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

BUSINESS ACTIVITIES

Business activities is any activity that is engaged in for the primary purpose of making a profit. Business activities can include things like operations, marketing, production and administration (as illustrated in diagram below). Business activities are also known as "business operations". This is a general term that encompasses all the economic activities carried out by a firm during the course of business. Business activities are ongoing and are focused on creating value for shareholders.



RESEARCH AND DEVELOPMENT

Research and Development in any organisation is committed to creating innovative products. Research activities cross-functionally bring together research functions of product development research and fundamental research. Through such matrix management, knowledge of each specialized area is dynamically and flexibly combined leading to the development of products that drives consumer satisfaction.

MARKETING

Consumer Driven is the marketing cornerstone of the many organisations. This is when organisations ascertain the needs of consumers, and create products using innovative technologies in response to those needs. In addition, organisation properly communicate the benefits of products conceived through this process, and offer them in the point of purchase that have been created for convenient selection and purchase. As part of these marketing efforts, companies work together to offer new value as they respond to changing times.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 82 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

PRODUCTION

In order to deliver products that can be used safely and with peace of mind, companies work with global production bases and are committed to efficient production in pursuit of high quality at reduced costs.

DISTRIBUTION

A lot of companies implement Supply Chain Management (SCM) in the efforts to get products to consumers/customers without delay. This involves maintaining a single workflow from the procurement of raw materials to sales of final products, linking production with distribution, and working to avoid stock-out and reduce inventories.

SALES

To get valuable products, brands, and information to consumers, organisations develop comprehensive means of selling products. To this end organisations maintain information and product distribution networks, provide support with product displays and sales methods, and offer consumer communication know-how through advice given to those involved in sales. Moreover, organisations attempt to uncover issues that affect both consumers and retailers from their perspective, and pursue customer satisfaction through a proactive sales approach that mutually addresses these issues.



Your marketing plan must do more than just say what you want to happen. It must describe each step required to make sure that it happens. The plan should therefore include a schedule of key tasks. This sets out what will be done, and by when. Refer to the schedule as often as possible to avoid losing sight of your objectives under the daily workload.

Resources

It should also assess what resources you need. For example, you might need to think about what brochures you need, and whether they need to be available for digital distribution (by email or from your website). You might also need to look at how much time it takes to sell to customers and whether you have enough salespeople.

Cost

The cost of everything in the plan needs to be included in a budget. If your finances are limited, your plan will need to take that into account. Don't spread your marketing activities too thinly - it is better to concentrate your resources to make the most of your budget. You may also want to link your marketing budget to your sales forecast. See our guide on how to forecast and plan your sales.

Control

As well as setting out the schedule, the plan needs to say how it will be controlled. You need an individual who takes responsibility for pushing things along. A good schedule and budget should make it easy to monitor progress. When things fall behind schedule, or costs overrun, you need to be ready to do something about it and to adapt your plan accordingly. From time to time, you need to stand back and ask whether the plan is working. What can you learn from your mistakes? How can you use what you know to make a better plan for the future?

SUITABLE WAYS IN WHICH TO PROMOTE PRODUCT/SERVICE OF A NEW VENTURE

Marketing is more than just an advertising campaign; it should result in revenue for your business. Understanding the different ways to promote your product or service can help you make the right choice for your business. Suitable ways in which to promote product/service of a new venture must be determined and implemented according to the

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 83 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

organisation's marketing plan. Promotion of a product/service includes advertising, launches, informal selling, formal selling and other various activities undertaken to make customers aware of a product/service.



A product is a good or service that most closely meets the requirements of a particular market or segment and yield enough profit to justify its continued existence.

Services are intangible products such as accounting, banking, cleaning, consultancy, education, insurance, expertise, medical treatment, or transportation. Sometimes services are difficult to identify because they are closely associated with a good; such as the combination of a diagnosis with the administration of a medicine. No transfer of possession or ownership takes place when services are sold, and they (1) cannot be stored or transported, (2) are instantly perishable, and (3) come into existence at the time they are bought and consumed.

Promotion refers to the various methods you use in order to convey the message about your product to potential consumers. There are innumerable promotional devices - word of mouth, press releases, paid advertisements, and sponsorship of sports or special events only to name a few - but to determine which devices will be most effective to use, you must first choose the image that you desire your product to convey to the consumers. You can choose and develop this image based upon what would be most attractive and appealing to your target market group.

PRINT AND GRAPHIC ARTS MEDIA

Depending on the type of message you want to communicate to your customers, print media offers different options, including: brochures, business cards, newspaper ads and magazines.

- Brochures, posters and packaging are a cost effective way to provide a variety of messages and detailed information about your products and services.
- Business cards can be used to support your networking activities and give potential customers the information they need to contact you.
- Local newspaper advertising is a way to reach people in your community and repeatedly exposes them to your message in order to create a stronger local presence for your business.
- Magazines have the advantage of targeting a more specific audience of subscribers who are interested in the topics it covers.

ELECTRONIC MEDIA

Electronic media is a general term for any media that requires an electronic device for the content to be accessed. Some of the most common forms of electronic media include television, radio, internet and content for mobile devices.

- Television content captures more audience time than any other media and is targeted at home audiences.
- Radio is cost effective, and the audience is usually loyal to a station's program format.
- The internet offers you a variety of different ways to market your product or service on a website or by email.
- Cell phones and smartphones allow for marketing tactics that let you reach customers directly on their mobile devices.
- Social media marketing encourages online interaction between your customers and your business using various social networking sites.

BILLBOARDS AND PUBLIC TRANSIT

Other effective mediums of advertising can include such means as billboards or public transportation advertising. Billboards are a form of advertising outdoors, and they are very effective because of the frequent public exposure

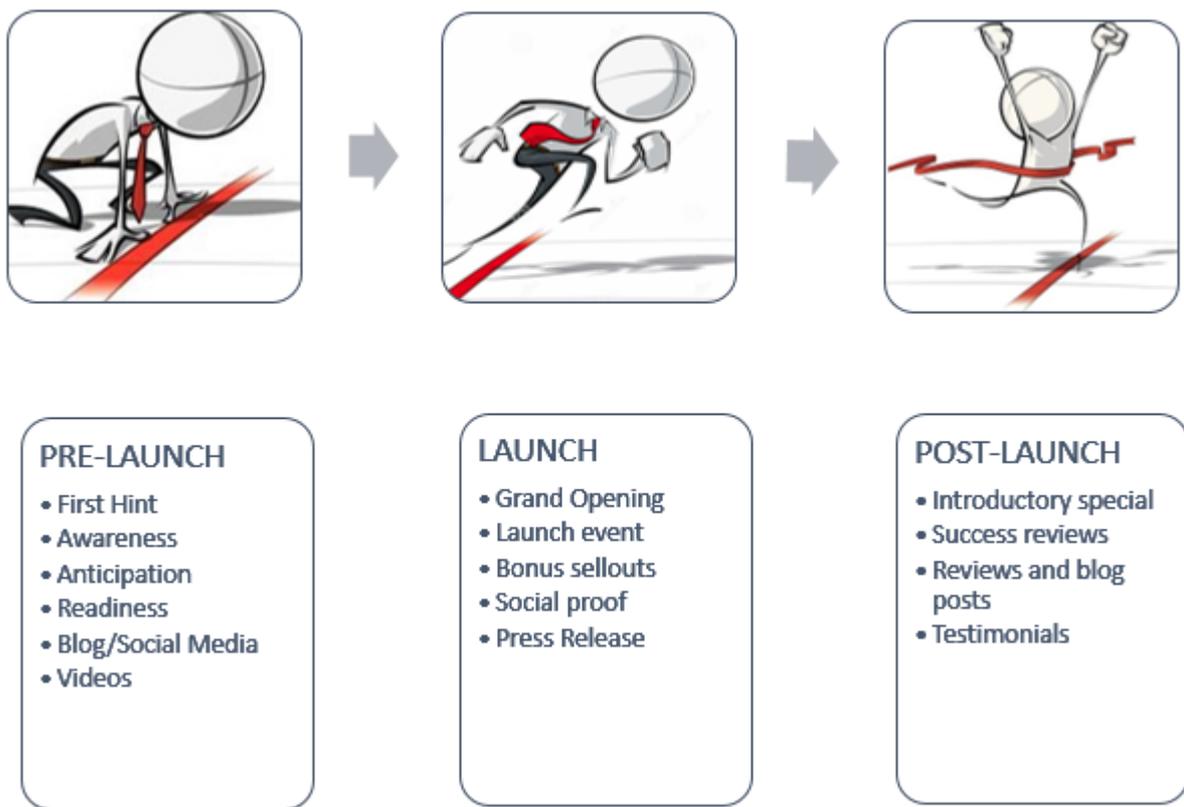
 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 84 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

that they receive. An advantage to advertising with billboards is that, due to their often bright colours and large size, they are somewhat 'intrusive' and thus will not go un-noticed in public. They are very costly, though, and thus will not be a feasible advertising means for every business. They also often fall victim to vandals and in some places are or have become banned.

Transportation advertisements, like those seen on taxi cabs, delivery trucks, or on busses, are effective tools for businesses that are centrally based out of specific towns or cities. In this way, people from your target market will get much exposure to your business and product on a daily basis. Like billboards, these signs can fall victim to vandalism, and are not used in every area or market. Both billboards and transit advertisements should be bold and attractive, but also simple so that quickly moving viewers will be able to read and be persuaded by the advertisements.

LAUNCHES

Product launch is the debut of a product into the market. The product launch signifies the point at which consumers first have access to a new product. Product/service launch passes through the stages illustrated in the diagram below.



Launches may be divided into Soft Launches or Hard Launches.

- A Soft Launch is the process of bringing a minor revision of a product to market where an investment in generating sales velocity isn't justified.
- A Hard Launch is the process of bringing a major revision of a product to market where an investment in generating sales velocity is necessary.

<p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 85 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Sometimes the term Soft Launch is used to describe when a product isn't really launched but has escaped from the building, or to justify why minimal effort has gone into planning for a real product launch. With either a Soft or Hard Launch planning is essential. The key difference is in the goals. For a Soft Launch focus on updating marketing collateral, web content, sales tools, and educating the sales channels on buyers, buyer criteria, sales process and competition. Minimal effort is needed for promotion activities.

For a Hard Launch build on the Soft Launch activities but put a more emphasis on activities that will create a better awareness of the product in the market from a buyer perspective. The primary goal is generating sales velocity so there must be activities around training the sales channels to be as efficient as possible.

INFORMAL SELLING

Informal selling is a type of market test in which one or a few salespeople make calls on intended market users and full presentations are made. There is actual request for the order. However, product has not been released to the full sales force.

ADDITIONAL PROMOTIONAL IDEAS

Promotional gifts, like pens, key rings and calendars, can be given to individuals and groups that you know personally to help create a positive opinion of your company and improve its reputation.

Networking and community involvement can also support the promotion of your business. You can make new contacts and reach out to potential customers by participating in trade shows, conferences, community activities and other networking events. Speaking to people about your business can be one of the most effective ways of promoting your product or service.

Planning your marketing strategy will help you determine the best way to promote your product or service, allow you to measure your success against set goals and provide you with a clearer idea of where your strategy may need adjustments.

USING SELLING TECHNIQUES TO PROMOTE PRODUCT/SERVICE

In order to promote your product/service you will use a whole range of types of selling techniques in your business. Selling techniques include; establishing selling networks, the AIDA principle (Attention, Interest, Desire, Acceptance), direct selling, cold calling, principles of negotiation.

AIDA PRINCIPLE

Many marketing models have tried and failed over the years, but “AIDA” is one that works, and works well. AIDA has been used for many years. It is a process in which marketers gain a potential customer’s Attention, generate Interest, Desire and a specified Action. Here is a detailed overview of the process.

ATTENTION

To get your customers’ attention, you need to know what they want. What they want are benefits – they want to know how your product will benefit them or solve one of their problems.

Once you know what your biggest benefits are, tell your prospects outright by printing headlines in big, bold font on your brochures or poster printing pieces. Use words that pique people’s attention naturally, like “free” or “discount.” One good method to use is to ask a question, such as “Is your back pain keeping you up at night?” Whatever words you use, just make sure you are specific. Asking “Do you have back pain?” might work, but the first, more detailed version is better because people will have a specific reference to think about. You can also do something a little more hands-on, such as sending a sample of your product in the mail (or offer free samples in your store) to garner attention.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 86 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

INTEREST

After you get a customer's attention with your headline, you need to hold that interest. Short sentences that are simple to read keep a reader's interest best. Also, be sure to use clear language – don't use too much jargon or "big words" that you think will impress your audience. No one wants to look up a word just to be able to read your marketing materials. Also try to avoid clichés, like "best in the business." Give honest promises that you can deliver on.

DESIRE

What makes a person desire your product is her picturing herself using your product or service. Give the customer a chance to imagine how her life would be easier or more convenient with your product. Show a professional-looking picture of your product, or show the results of your service. A dry cleaner, for instance, could show a dirty jacket before being dry cleaned and then show a picture of the clean jacket after being dry cleaned.

You can also give the customer ideas of how much money she will save by purchasing from you. Give her concrete terms, like showing items she could buy with the money she saved. Whatever you decide to use to incite desire, make sure you focus on showing benefits, not features.

ACTION

Finally, you need to include a "call to action" – tell the customer what step to take next. If you want the customer to call you, say so! Explicitly write "Call now" and make sure to give your phone number. To encourage the customer to take action even more, include an expiration date on your call to action. Something like "Call before Sunday to receive this special offer." People tend to procrastinate, so including a sense of urgency will compel them to take action when they otherwise wouldn't.



AIDA is popular for over a hundred years as a sales training tool, AIDA stands for Attention, Interest, Desire and Action as the names for steps to be taken in sequence in a selling process. The salesperson must (1) first make the prospect aware of the product, (2) foster any interest shown, (3) stimulate the desire to buy and possess the product and, finally, (4) encourage action to purchase.

As per AIDA model, a salesperson can achieve most effective results by following the four sequential steps while interacting with a prospective customer.

- 1. Attract attention: In this step the sales person only attracts the customers attention so that the customer will agree to continue the meeting with sales person and pay attention to what is being said.*
- 2. Create interest: In this the step the salesperson provides information about the product that arouses the customer's interest. This means that customer is interested to know more about the product, but is not really thinking of buying it.*
- 3. Kindle Desire: Here the salesperson links the product and its features to the needs and wants of the customer. This results in customer perceiving the product as a means of satisfying his needs and wants, and doing this better than other competing products.*
- 4. Take action: Just because the customer is convinced about utility of a product and desires to buy it does not mean that he or she will actually decide to buy it immediately. The salesperson must further lead the prospect to place the order. This is also called the process of closing the sale.*

DIRECT SELLING

This is when the business sells its products or services directly to the customer. Through this method you can build a good relationship with your clients, use your selling skills to communicate the benefits of your offering, and access

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 87 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

valuable information through communicating with the customer, for example regarding their needs, their opinion of the product, experiences with the competition and so on.

A key decision a business has to make about distribution is whether to sell “direct”. This method of distribution is usually called “direct marketing”. Direct marketing means selling products by dealing directly with consumers rather than through intermediaries.

Traditional methods include mail order, direct-mail selling, cold calling, telephone selling, and door-to-door calling. More recently telemarketing, direct radio selling, magazine and TV advertising, and on-line computer shopping have been developed. The main advantages of selling direct are that there is no need to share profit margins and the producer has complete control over the sales process. Products are not sold alongside those of competitors either.

There may also be specific market factors that encourage direct selling:

There may be a need for an expert sales force, to demonstrate products, provide detailed pre-sale information and after-sales service

Retailers, distributors, dealers and other intermediaries may be unwilling to sell the product.

Existing distribution channels may be owned by, or linked to, competing producers (making it hard to obtain distribution by any other means than direct).

However, there are significant costs associated with selling direct which may be higher than the costs associated with using an intermediary to generate the same level of sales.

There are several potential advantages of using an intermediary:

- More efficient distribution logistics
- Overall costs (even taking into account the intermediaries’ margin or commission) may be lower
- Consumers may expect choice (i.e. the products and brands of many producers) at the point of sale
- Producers may not have sufficient resources or expertise to sell direct

COLD CALLING

Cold calling is soliciting potential customers who were not expecting to speak with you. The term 'cold' refers to the fact that you haven't laid any groundwork for your call. If you are calling prospects who have already expressed interest in your products, such as a prospect who fills out a postcard or website request for information, then it's referred to as “warm calling.” In other words, cold calling is (1) visiting a prospect (who may not know the visitor) without a prior appointment. (2) Calling a prospect (who does not know the caller) for a sales appointment. Called also cold canvassing. (3) Making unsolicited phone calls to strangers, usually to generate a sale or seek a donation. Such practices are illegal in several countries.

The obituary for cold calling is premature. While in the perfect world, your phone would be ringing off the hook all day with clients interested in your business, the reality is that if you want business, you need to go after it, and cold calling is an effective sales tactic if it's done properly.

But many small business people would rather spend an entire day in a dentist's chair than go cold calling. Does the thought of cold calling make your stomach drop to your toes? These cold calling tips won't eliminate your fear, but they will help you make cold calling a more successful experience.

Focus on the goal when cold calling

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 88 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Beginners tend to think that cold calling is about making the sale. It's not. It's about getting the chance to make the sale. Specifically, the purpose of a cold call is to set an appointment to make the pitch.

Research your markets and prospects

You need to target your cold calling to the right audience. Use market research to focus on your target market. Then find out as much as you possibly can about the company or individual you're going to cold call in advance.

This gives you the huge advantage of being able to talk about their business and their needs when you call them.

Prepare an opening statement for your cold call

This lets you organize your thoughts before cold calling, and helps you avoid common mistakes in the cold call opening that would give the person you're calling the chance to terminate the conversation. For instance, you should never ask, "Is this a good time to talk?" or "How are you today?" Don't read your opening statement into the phone, but use it as a framework to get the cold calling conversation off to a good start.

What should be in the opening statement of your cold call?

This organizational scheme for cold calling works well: "Include a greeting and an introduction, a reference point (something about the prospect), the benefits of your product or service, and a transition to a question or dialogue. For example, 'Good afternoon, Ms. Marshall. This is Ken Brown with Green Works. I read in the local paper that you recently broke ground for a new office complex. We specialize in commercial landscape services that allow you to reduce in-house maintenance costs and comply with the city's new environmental regulations. I'd like to ask a few questions to determine whether one of our programs might meet your needs.'"

PRINCIPLES OF NEGOTIATION

Negotiation is an art that requires both study and practice. However, there are some basic guidelines that can help you when negotiating. The principles of negotiation are:

1. The greatest failure in negotiation is failing to negotiate
2. The most important person to know in a negotiation is yourself
3. Everyone has power in a negotiation
4. Single-issue bargaining leaves both parties unsatisfied
5. Urgency drives decisions
6. Agreement is the end; trading off is the means
7. Even in a collaborative environment, best results are obtained by keeping the other party on a "need to know" basis
8. The value of something is always in the eye of the beholder
9. Success in negotiation is directly related to the amount and kind of preparation preceding the negotiation
10. The ability to walk away or select another alternative to a negotiated agreement puts a negotiator in a very strong position
11. Even when two sides are far apart on major issues, there are always things they can agree upon
12. Meaningful negotiation involves conflicts. The person who has a strong need to be liked, or who tends to avoid conflict, is likely to be at a disadvantage

SELLING TECHNIQUES MAY ALSO INCLUDE THE FOLLOWING:

Selling wholesale

If you're not selling directly to the customer, you could be selling to a wholesaler or reseller, who then sells the products on to the consumers. If you're selling to businesses for example, some might prefer to buy only from a

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 89 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

large supplier. This is more complicated than direct selling, since you have to think about the supply relationship, how you set prices, and choosing the right wholesaler.

Telesales or online sales

If your products can be bought over the phone or online, the sale is very time and cost efficient. This is a good way of selling to repeat customers, who you have already built a relationship with and who trust your business. Using the telephone means that you can still have contact with the customer to help the relationship develop.

Network Marketing

Network marketing Direct selling method in which independent-agents serve as distributors of goods and services, and are encouraged to build and manage their own sales force by recruiting and training other independent agents. In this method, commission is earned on the agent's own sales revenue, as well as on the sales revenue of the sales-force recruited by the agent and his or her recruits (called down-line). Also called multi-level marketing (MLM), cellular marketing, or by other such names, it is a multi-billion-dollar worldwide industry that distributes practically any portable item, although restricted or banned in several countries due to its history as a vehicle for consumer fraud.

IMPLEMENTING CUSTOMER RELATIONS PRACTICES

Customer relations, or customer service, is the front line between an organization and its customers. How customers are initially greeted and treated can influence their decisions to do business with your company. Effective customer relations strategies include listening skills, oral and written communication, analytical and problem solving skills and teamwork based on the organization's commitment to meet customer needs while making customers feel welcome and valued.

Initial Contact

First impressions may not always be accurate, but they do create a lasting influence on customers. Friendly greetings and a sincere interest in customer needs creates a basis for solving problems and meeting customers' needs.

Positive Impressions

Customers expect to have their concerns addressed quickly and efficiently. Customer relations staff must be knowledgeable and courteous. Bad experiences stay with customers; front line employees can make or break customer relationships.

Listening Skills

Listening skills help customer relations staff determine how to approach each customers' needs and meet their expectations. Using listening skills to identify problems and determine how to help and calm irate customers can establish customer confidence.

Effective Communication

Customer relations depends on effective communication. Problems can escalate when communication fails. Communicating clearly verbally and in writing can prevent misunderstandings and misinterpretations of information by customers and co-workers.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 90 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Problem Solving

Problem solving and analytical skills support customer relations; the ability to listen, interpret and act appropriately when addressing customer needs is essential to successful customer relations. Knowing when to escalate customer concerns to the next level of customer support staff is an important aspect of problem solving.

Teamwork

Working together to meet customer needs establishes excellent customer service and provides learning opportunities for customer relations staff. A customer relations department counts on support from all employees and departments when necessary.

Follow-Up

Follow-up can help re-establish customer confidence after resolving major problems. Calling customers to ensure their satisfaction lets customers know that they're valued.

Customer relations practices also includes after-sale service and customer surveys to determine levels of customer satisfaction.

CUSTOMER SATISFACTION SURVEY

Customer satisfaction surveys are important tools to measure a clients' satisfaction with your business.

The best way to discover whether or not your customers are pleased with the service they received is to ask them! 95% of complaining customers will do business with you again if you resolve the complaint instantly. Customer satisfaction surveys are fast and easy ways to gather information about all aspects of the purchasing process and to discover how and where your business can improve. An average organization loses about 15% of its customers every year. But if this can be reduced to 10% with customer satisfaction surveys, bottom line profits improve 35% to 85%.

Quick and inexpensive, Customer satisfaction surveys can help your business or organization close the gap between a customers' initial expectations and their actual experience. Satisfied customers are more likely to spread free advertising for your business through word-of-mouth, return and buy more, and remain loyal customers. 96% of dissatisfied customers will not return to your business. An example of a customer satisfaction survey is shown in the diagram below.

Customer satisfaction is the degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers. Customer satisfaction usually leads to customer loyalty and product repurchase. But measuring satisfaction is not the same as measuring loyalty. Satisfaction measurement questions typically include items like:

- Overall, how satisfied are you with (brand name)?
- Would you recommend (brand name)?
- Do you intend to repurchase (brand name)?

When building customer satisfaction surveys, these measures may be implemented through a variety of measures, including:

- Overall measures of customer satisfaction
- Affective measures of customer satisfaction
- Cognitive measures of customer satisfaction
- Behavioural measures of customer satisfaction

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 91 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

- Expectancy value measures of customer satisfaction

EXAMPLE CUSTOMER SATISFACTION SURVEY (QUESTIONS)

Overall Satisfaction Measures of Customer Satisfaction

How satisfied were you with [BRAND]?

Delighted Pleased Mostly Satisfied Mixed Mostly Dissatisfied Unhappy Terrible

How satisfied were you with [BRAND]?

Delightful Excellent Satisfactory Unsatisfactory Failure

The following faces express various feelings. Please select the face that best shows your feeling about [BRAND].



Imagine that the following circles represent the satisfaction of different people with [BRAND]. Circle 1 has NO PLUSSES in it, to represent a person who is completely dissatisfied with [BRAND]. Circle 9 has all pluses in it, to represent a person who is completely satisfied with [BRAND]. Other circles are in between.

Please select the circle that best represents your evaluation of [BRAND].



Importance - Performance Measure of Customer Satisfaction

Please use the following scale to rate each feature

Please check the aspects that were IMPORTANT in determining your rating of this feature. Check as many as made a significant difference.

Delightful	Excellent	Satisfactory	Unsatisfactory	Failure	Road noise	Wind noise	Engine noise	Squeaks-rattles
<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Overall Quietness								
<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Overall Style								

Expectations Measures of Customer Satisfaction

My expectations about [BRAND] were:

Too High: It was poorer than I thought Accurate: It was just as I expected Too Low: It was better than I thought

[BRAND] was much better (worse) than I expected.

Very Strong Yes Strong Yes Yes ? No Strong No Very Strong No

Degree of Customer Satisfaction Measures

Overall, how satisfied have you been with [BRAND]?

100% Completely Satisfied 90 80 70 60 50 Half Satisfied 40 30 20 10 0% Not at all Satisfied

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 92 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

How satisfied were you with [BRAND]?

Very Dissatisfied	Somewhat Dissatisfied	Slightly Dissatisfied	Neither	Slightly Satisfied	Somewhat Satisfied	Very Satisfied
<input type="radio"/>						

I am always or almost always satisfied with...	I am sometimes satisfied with...	I am sometimes dissatisfied with...	I am always or almost always dissatisfied with...
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Now that you've actually used the product, how satisfied with it are you?

Dissatisfied	<input type="radio"/>	Satisfied							
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Behavioral Measures of Consumer Satisfaction

Strongly Disagree	Sometimes Disagree	Neither	Sometimes Agree	Strongly Agree
-------------------	--------------------	---------	-----------------	----------------

If I had it to do over again, I would purchase [BRAND] Behavioral Measure	<input type="radio"/>				
My choice to buy [BRAND] was a good one. Behavioral Measure	<input type="radio"/>				
I feel bad about my decision concerning [BRAND] Behavioral Measure	<input type="radio"/>				
I think that I did the right thing when I decided to buy [BRAND] Behavioral Measure	<input type="radio"/>				
I am not happy that I purchased [BRAND] Behavioral Measure	<input type="radio"/>				

AFTER-SALES SERVICE

After sales service is the ongoing relationship between the company and customer where services are rendered to the customer throughout the product life cycle to the end of life. This type of support typically includes warranty, upgrade and repair services.

Many sales people do not see the importance of an after sales service. The majority of people will feel that when the sale has been closed and commissions spent then further time invested in the client is a waste. At the end of the day the sales person is not being paid to “hold a customers’ hand.” However, effective sales follow ups will bring you more sales, say experts and business coaches. Whilst you follow up you are also seen to be providing a value greater than the customer has paid and you are more likely to guarantee yourself repeat business and referrals.

The three simple steps you should follow are:

- Continue selling
- Try and make yourself available as much as possible
- Be a central liaison if the customer has a problem with account management

Continue to Sell

After you have formed your relationship and sold your product/service, should you drop your enthusiasm in your clients’ eyes, you are in danger of promoting “buyers’ remorse” detrimental to your customers and services. Keep in touch with your client and the trust will grow and the customer starts to “open up” and inform you of other business needs.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 93 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Be available

Tell your client that you will be “available” at any time for them. Instigating the occasional telephone call or email shows your customer that you are “there.” It is critical NOT to try and sell on these occasions.

Customer liaison

This is the most effective way to maintain the customer’s account management experience. If you follow up with the client, you also become an information point and liaison for their other services and needs.

MODULE 3 - PART 2		
	NEGOTIATE A DEAL WITH A CUSTOMER	SO 2
	Basic principles of negotiation that are utilised to secure new business are outlined and explained with examples.	SO 2 AC 1
	The principles of planning for negotiations are explained and implemented according to own business context and market research.	SO 2 AC 2
	Appropriate negotiation techniques are applied to own venture and business contexts.	SO 2 AC 3

NEGOTIATING A DEAL WITH A CUSTOMER

Negotiating is the process by which two or more parties with different needs and goals work to find a mutually acceptable solution to an issue. Because negotiating is an inter-personal process, each negotiating situation is different, and influenced by each party's skills, attitudes and style. We often look at negotiating as unpleasant, because it implies conflict, but negotiating need not be characterized by bad feelings, or angry behaviour. Understanding more about the negotiation process allows us to manage our negotiations with confidence increases the chance that the outcomes will be positive for both parties.

BASIC PRINCIPLES OF NEGOTIATION

Negotiation is an art that requires both study and practice. However, there are some basic guidelines that can help you when negotiating. Here are the twelve basic principles.

Know when to negotiate and when to walk away

Sometimes people walk away too soon because they do not realize that they are still in a negotiation. An example of this is a person who makes an offer to a client and the client rejects their offer. Just because the client says no it doesn't mean that the matter has ended. Saying no to your offer is quite likely to be the start of a negotiation on price. On the other hand, some people keep negotiating when the show is over. They haven't learned the difference between the "no" that means "I'm open to further offers" and the "no" that means "I'm no longer interested" and so they don't walk away when they should.

Walking away can also be used as a ploy during a negotiation. This can be very effective, provided that you are more willing to walk away from the negotiation than the other party is.

Negotiate for outcome not ego

A skilled negotiator has learned how to manipulate the emotional state of the other party. If you find yourself negotiating on a point of ego this is usually a sign that you are losing.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 94 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Negotiate issues not personalities

Often time the person you are negotiating with can be annoying, frustrating or even downright rude. This may be a ploy on their part or it may be their genuine personality.

Either way it is a distraction that you can't afford to fall into. Keep your focus on the issues at hand and leave their personality out of it.

Know, at all times, what is relevant and what is irrelevant

Know and remember what is important to you. This will help you get what you want and it will also guide you as to what concessions you can make. Of course it is often a part of negotiating strategy to have the other person believing that your important issues are the irrelevant ones and your irrelevant issues are the important ones. Try to gauge what is actually important to the other party and what is not. Knowing the true value of their issues gives you leveraging power.

Talk in terms of benefits rather than features

Often the other person will try to dazzle you with features that, at the end of the day, have no true benefit to you. Keeping your mind focused on your benefits will help you from being distracted by such ploys. Knowing what the real benefits are for the other person helps you promote your desired outcome with more power.

Ask questions rather than make statements

The person asking the question is the person who is leading the direction of the conversation. However, when you make a statement it can leave you open to criticism. Rather than saying "Our software program will really enhance your bottom line profits" which opens you to be challenged, you could ask "would you be interested in a software solution that will enhance your bottom line profits?".

Use your strengths and manage your weaknesses

In every negotiation each party has strengths and weaknesses. If one party held all the cards then it would not be a negotiation, they would simply be dictating the terms. Be aware of your strengths and how you can best use them and be aware of your weaknesses and know how to manage them. Part of managing your weaknesses is to disguise them as strengths wherever possible.

Strength in a negotiation comes from things like willingness to walk away, low perceived need, no or low time constraints or having something that the other party needs but can't easily get elsewhere. Weakness comes from strong need for what the other party is offering, short time constraints, or low need on the part of the other party.

Respond rather than react

A reaction implies that it is a reflex and doesn't involve thought or strategy. Skilled negotiators try to get their opponents reacting. Responding on the other hand is keeping your control and not doing anything that is not a thoughtful application of your strategy. If you have the habit of reacting, then it is very easy for a skilled negotiator to manipulate you during the negotiation.

Attract rather than chase

It is very difficult for you to win a negotiation if you are doing the chasing. The idea is to make your proposals in such a way that they draw the other party toward your desired result. This is achieved by a combination of having a good offer and presenting it with good negotiation skills.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 95 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Break complicated issues into simple elements and then negotiate the elements

The human brain can only process so much information in one bite. If you are involved in a complex negotiation it will be better to break it down into several components and negotiate them as separate issues. Some negotiators have, as a strength, the ability to mentally hold large amounts of information and they will try to keep the negotiation complicated. If this is not your strength, then don't fall into this trap.

Know when to negotiate concepts and when to negotiate details

There are times when the details are extremely important but there are other times when they are just a distraction. Develop the skill of being able to see the difference. It also may be a good strategy in many negotiations to gain agreement on a general concept first and then move on to negotiate the details.

Have a system to look after the details

Negotiations by their nature are generally verbal. Once the negotiation is over it is important to get the agreement into writing and signed as soon as possible. The simplest way to achieve this is to already have a system in place, before the negotiation even starts. For a salesman this could be accomplished by having an official order form. Keep in mind that the longer the time between the negotiation and the signing of the formal agreement the more likely it will be that the negotiation will reopen.

Negotiation is not a skill that you can master in five minutes, but these twelve basic principles are a good place to start.

SUMMARY

Principled Negotiation

Negotiations are usually seen to be confrontational, because each party is trying to get the best deal they can at the expense of the other person. However, negotiations can take on a more positive light. You are not battling with the person across the table. You are building a relationship and perhaps the start of a great partnership. It helps to approach the process with a win-win goal in mind.

One method of non-adversarial bargaining is principled negotiation. Follow the four steps to principled negotiation:

1. Separate the people from the problem - Make the discussion about what is being negotiated, not who is doing the negotiating.
2. Focus on interests, not positions - Both sides want something. Focus on the goals rather than on how you want to accomplish those goals.
3. Invent options for mutual gain - Do not approach the negotiations with the goal of getting what you want. Make the goal something that benefits both sides.
4. Use objective criteria - Base the negotiations on market values or traditional practices rather than on what you think things are worth.

THE PRINCIPLES OF PLANNING FOR NEGOTIATIONS

Negotiating is an inevitable part of doing business. You negotiate with suppliers, distributors and customers. Good negotiations can lead to prosperity, while bad negotiations can damage your business profitability. In any kind of negotiation, the planning stage is probably the most important. Too often in sales negotiations we go in badly prepared and end up giving too many concessions that reduce the overall profitability of the final deal and give the customer unrealistic expectations for what they can achieve in future negotiations.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 96 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Generally, the more time that is spent in planning and preparing for the negotiation, the more beneficial will be the final outcome.

KEY ISSUES TO CONSIDER WHEN PREPARING FOR A NEGOTIATION

There are five key issues to consider when preparing for a negotiation:

1. What are my objectives?
2. What information will influence the final outcome of the negotiation?
3. What concessions have I got to trade with. What is the cost and value of each concession?
4. What is the most appropriate strategy for this negotiation? What is my plan of action?
5. What tasks will you and other members of your team be responsible for in the negotiation?

Objectives

Before entering into the negotiation, you need to have a clear idea of your objectives and those of the other side. Ask yourself the following questions:

- a) What exactly do I wish to achieve from this negotiation?
- b) What is my best outcome?
- c) What other outcomes may be acceptable?
- d) Would is my worst acceptable outcome?
- e) What options or alternatives would be acceptable to me?
- f) What are the other sides' objectives?
- g) What options or alternatives might be acceptable to them?

Information

It has often been said that information is power. In any negotiation, there will be 5 types of information that will influence the final outcome.

- a) What information do I have that the other side also has?
- b) What information do I have that the other side does not have?
- c) What information do I need to find out before negotiating with the other side?
- d) What information does the other side need before it can negotiate with me?
- e) What information am I prepared to reveal to the other side?

Concessions

When preparing for negotiations, ask yourself the following questions:

- a) What concessions are available to me other than price?
- b) What is the cost of each possible concession?
- c) How much value does the other side place on each concession?
- d) What is non-negotiable in this negotiation?
- e) What is the limit of my authority?

Strategy

Ask yourself the following questions:

- a) How am I going to achieve my objectives in this negotiation? What is my plan of action?
- b) What is the strategy of the other side likely to be? How do I expect them to behave?
- c) What tactics should I use within the negotiation?

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 97 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

d) What tactics are the other side likely to use?

Tasks

If you go into negotiation with a colleague or colleagues, you need to decide during the preparation phase:

- a) What role will each team member take in the negotiation?
- b) How can we work together in the most effective way?

Some teams of negotiators appoint team leaders, note takers, observers and specialists, each with their own clearly defined authority and roles to perform. Having a clear understanding of roles within the negotiation will make the team approach much more effective.

Before the negotiation

1. Do your research. Look at their website and any information you have on the other side and the outcomes of previous negotiations.
2. Speak with your manager. Make sure he, or she is involved in the planning process and that you have their full support.

Have a pre-negotiation meeting with the client, if possible, to find out information on:

1. The people on their side with whom you will be negotiating
2. Their organisation; issues happening in their business that will influence the final outcome
3. Their decision making process; who is involved, how they will decide and what timescales they are working to?
4. Current supplier, or suppliers with whom they currently do business
5. Competition; others who may have been invited to quote for the business
6. Problems that they are looking to solve as a result of the negotiation
7. Their needs. What are they looking for from the company that is successful in the negotiation? What are their main needs; price, service, product features?
8. Financial issues such as budgets, discounts and payment terms
9. Make a list of information you will need to find out during the negotiation
10. Practise the negotiation with colleagues

The more preparation you do the better the outcome will be. My most important tips to any negotiators are:

- Try to be confident. Look and feel as confident as possible. Remember, they have as much to gain as you from reaching agreement. Take your time. Most salespeople negotiate too quickly and give concessions too easily. Slow down
- Calculate the cost of concessions. Don't agree a concession until you understand the cost of agreeing to it
- Adopt a low key approach. Try not to look too eager

SUMMARY

The first step to a successful negotiation is to be prepared.

- Have a plan. Decide on your desired outcome before you negotiate and set your boundaries. It is easy to define your best case scenario, but what is the minimum you are willing to agree to, before you walk away from the negotiating table?
- Find out what you can about who the other side is. Understanding their situation can give you the leverage you need to negotiate a favourable deal.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 98 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

- Take stock of everything you have to offer. You have more than just money to offer. Other things that can be desirable to offer in your negotiations can include:
 - ✓ Level of service
 - ✓ Payment schedule
 - ✓ Contacts and introductions
 - ✓ Partnerships with third parties
 - ✓ Contract lengths and durations
 - ✓ Expertise and knowledge sharing

Smart Negotiating

Preparation and planning are not the only elements of smart negotiating. Handling yourself well at the negotiation table is also key. Some things to keep in mind are:

Emotions - Your emotions can work for or against you. Sending out the right emotional response at the right time can signal your opinion of an offer. This can prompt the person making the offer to make adjustments without your having to make a counter-offer. Too much emotion, on the other hand, can work against you. If you let your emotions guide your negotiation, you could easily accept a bad deal or throw away a good one.

Patience - No negotiation is so important that it must be rushed. Let the people you are negotiating with finish what they are saying. Try not to interrupt. This gives the other side an opportunity to make a full offer and it gives you the time you need to fully consider what is being proposed.

Silence - We are generally uncomfortable with silences during conversations. When there is silence, we want to speak up just to break the tension. However, silence during a negotiation can be a good thing. It gives you a chance to think and compose yourself. Use silence to your advantage.

Take a break - It is okay to step away from the negotiating table for a while. A break can give you the time you need to compose yourself or give an offer or counter-offer the thought it deserves. At the very least, a break can relieve the pressure, if you feel you are being pushed into a deal you do not like.

Walk away - At the end of the day, you do not have to make a deal. A bad deal can be worse than no deal. If you cannot find a way to get the minimum deal you planned on before sitting down, then get up from the table and walk away. The deal you are looking for can be found elsewhere.

APPROPRIATE NEGOTIATION TECHNIQUES

The following general principles must be remembered and applied when negotiating with a customer.

Win-Win Solutions

When negotiating, always look for win-win solutions, and present them as such. The aim of win-win negotiation is to find a solution that is acceptable to both parties, and leaves both parties feeling that they have won, in some way, after the event. There are different styles of negotiation, depending on circumstances.

Where you do not expect to deal with people ever again and you do not need their goodwill, then it may be appropriate to "play hardball", seeking to win a negotiation while the other person loses out. Many people go through this when they buy or sell a house – this is why house-buying can be such a confrontational and unpleasant experience. Similarly, where there is a great deal at stake in a negotiation, then it may be appropriate to prepare in detail a legitimate "gamesmanship" to gain advantage. Anyone who has been involved with large sales negotiations will be familiar with this.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 99 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Neither of these approaches is usually much good for resolving disputes with people with whom you have an ongoing relationship: If one person plays hardball, then this disadvantages the other person – this may, quite fairly, lead to reprisal later. Similarly, using tricks and manipulation during a negotiation can undermine trust and damage teamwork. While a manipulative person may not get caught out if negotiation is infrequent, this is not the case when people work together routinely. Here, honesty and openness are almost always the best policies

Exclude Competition

If you could exclude competition in any negotiation, you'll have a better chance of getting what you want, right? How do you do that? Start by never mentioning competition to the other side. It's possible they don't know all their options, and it's not your job to enlighten them. At the negotiating table, be ready to confront the competition head-on, when the other side brings it up. In the carpet cleaning business for example, an owner could politely dismiss the competition when it is brought up. He could say something like, "They're okay, if price is all that's important to you. Of course, they can't clean as deep with their machines. If you want the deepest cleaning and at a temperature that kills dust mites and other things in the carpet, you have to have a machine like ours, and fully trained technicians."

Extreme Initial Positions

Everyone knows this technique, but most are afraid to use it. Someone once said, "If you aren't embarrassed by your offer, it isn't low enough." For example, many years ago Tom sold a car. A nice guy, after crawling under and inside the car, offered Tom half of what I was asking. Tom rejected the offer, and the guy left his phone number, in case Tom changed his mind. As he drove away, Tom wondered what was wrong with the car, and he was suddenly hoping if he could get just a bit more than that half-price offer. Tom's expectations had been altered quickly. Fortunately, another person gave him the full price before he decided to pick up that phone.

There are dozens of good negotiation techniques that you can profitably use.

Start-up entrepreneurs are not always the best negotiators. They step into the shoes of a business owner for the first time and find — to their surprise — that nearly everything involves negotiation of some kind, and they may not always have those negotiation techniques down.

Starting a business requires, quite literally, hundreds of negotiations. Some are small, like securing the best price on printing your letterhead and business cards. Others are far bigger deals that can make or break your start-up business from the get-go. Sometimes you are the buyer; other times the seller. Either way, the skills you need to be a good negotiator are the same.

For some small business owners, it comes naturally. They're the ones who started negotiating an allowance and extra TV time with their parents at age four. For most of us, however, it comes through effort and experience. Rarely is it something you learned as part of a formal education. Here are ten tactics that can make you a better, more confident negotiator on behalf of your small business:

Ten Negotiation Techniques:

1. **Prepare, prepare, prepare.** Enter a negotiation without proper preparation and you've already lost. Start with yourself. Make sure you are clear on what you really want out of the arrangement. Research the other side to better understand their needs as well as their strengths and weaknesses. Enlist help from experts, such as an accountant, attorney or tech guru.
2. **Pay attention to timing.** Timing is important in any negotiation. Sure, you must know what to ask for. But be sensitive to when you ask for it. There are times to press ahead, and times to wait. When you are looking

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 100 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

your best is the time to press for what you want. But beware of pushing too hard and poisoning any long-term relationship.

3. **Leave behind your ego.** The best negotiators either don't care or don't show they care about who gets credit for a successful deal. Their talent is in making the other side feel like the final agreement was all their idea.
4. **Ramp up your listening skills.** The best negotiators are often quiet listeners who patiently let others have the floor while they make their case. They never interrupt. Encourage the other side to talk first. That helps set up one of negotiation's oldest maxims: Whoever mentions numbers first, loses. While that's not always true, it's generally better to sit tight and let the other side go first. Even if they don't mention numbers, it gives you a chance to ask what they are thinking.
5. **If you don't ask, you don't get.** Another tenet of negotiating is "Go high, or go home." As part of your preparation, define your highest justifiable price. As long as you can argue convincingly, don't be afraid to aim high. But no ultimatums, please. Take-it-or-leave-it offers are usually out of place.
6. **Anticipate compromise.** You should expect to make concessions and plan what they might be. Of course, the other side is thinking the same, so never take their first offer. Even if it's better than you'd hoped for, practice your best look of disappointment and politely decline. You never know what else you can get.
7. **Offer and expect commitment.** The glue that keeps deals from unravelling is an unshakable commitment to deliver. You should offer this comfort level to others. Likewise, avoid deals where the other side does not demonstrate commitment.
8. **Don't absorb their problems.** In most negotiations, you will hear all of the other side's problems and reasons they can't give you what you want. They want their problems to become yours, but don't let them. Instead, deal with each as they come up and try to solve them. If their "budget" is too low, for example, maybe there are other places that money could come from.
9. **Stick to your principles.** As an individual and a business owner, you likely have a set of guiding principles — values that you just won't compromise. If you find negotiations crossing those boundaries, it might be a deal you can live without.
10. **Close with confirmation.** At the close of any meeting — even if no final deal is struck — recap the points covered and any areas of agreement. Make sure everyone confirms. Follow-up with appropriate letters or emails. Do not leave behind loose ends.

Appropriate negotiation technique also include:

- **Spiralling agreements:** Begin by reaching a minimum agreement even though it is not related to the objectives, and build, bit by bit, on this first agreement.
- **Changing of position:** Formulate the proposals in a different way, without changing the final result.
- **Gathering information:** Ask for information from the other party to clarify their position.
- **Making the cake bigger:** Offer alternatives that may be agreeable to the other party, without changing the terms.
- **Commitments:** Formalize agreements orally and in writing before ending the negotiation.

When it comes to entrepreneurial talents that spell success in the world of start-ups, the ability to negotiate well is one of the most vital attributes you can possess. Take care to develop this skill. Some people think they are good negotiators, but in reality are not. From bringing in good people, to arranging financing or nailing that first big deal, sound negotiating techniques will be essential.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 101 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

MODULE 3 - PART 3		
	OUTLINE PROCESSES AND PRINCIPLES FOR COMPLETING BASIC QUOTES	SO 3
	The different types of offers are explained in relation to securing business transactions.	SO 3 AC 1
	Principles and procedures for compiling quotes are identified and explained in relation to own business context.	SO 3 AC 2
	Support in compiling quotes is sought where necessary in order to ensure full understanding of the criteria that apply.	SO 3 AC 3
	The common pitfalls in quoting and order taking are explained with examples in relation to own business venture.	SO 3 AC 4

PROCESSES AND PRINCIPLES FOR COMPLETING BASIC QUOTES

In order to manage marketing and selling processes of a new venture, processes and principles for completing basic quotes must be applied. A quote is a formal statement of promise (submitted usually in response to a request for quotation) by potential supplier to supply the goods or services required by a buyer, at specified prices, and within a specified period. A quotation may also contain terms of sale and payment, and warranties. Acceptance of quotation by the buyer constitutes an agreement binding on both parties.

DIFFERENT TYPES OF OFFERS TO SECURE BUSINESS TRANSACTIONS

Most businesses sell a product or service to a customer to make money. However, it can be much more complicated than that simple model; some businesses serve as the middle man from manufacturer to customer; others sell to other businesses, and some organizations do not follow a financial model that generates a profit for them. All of these business models lead to different types of business transactions.

Retail to Customer, in Person

An in-person retail-to-customer transaction is one of the simplest forms of business transactions. It involves a customer going into a store, selecting items to purchase and buying the items using cash, check or a credit card. The retailer charges the customer a price based on the retail price of the items plus sales tax if applicable.

Retail to Customer, Not in Person

Retailers can also sell products to customers without ever interacting in person. Customers can order products from a catalogue by calling the business, placing an order over the phone and paying for the retail price, applicable sales tax and applicable shipping charges. The product is then shipped to the customer in the mail. Customers can also make purchases from retailers online through the retailer's website or from another retail website. Online transactions typically are paid for using a credit card or online merchant service like Google Checkout. Again, sales tax and shipping charges often apply in addition to the retail purchase price.

Wholesaler to Retailer

Another type of business transaction is when a retailer buys products from a manufacturer or wholesaler. Many retailers do not manufacture the products they sell. Instead, they buy products directly from manufacturers or wholesalers, then mark the prices up from what they paid to sell to customers to make a profit. Products are often ordered in bulk, and the transaction is typically paid for by an invoice sent from the wholesaler to the retailer after the order is filled. Retailers then have a certain amount of time, such as 30 days, to make payment to the wholesaler. In some cases, wholesalers require payment via credit card when the order is placed before they fill the order.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 102 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Shipping charges might apply, though discounts for buying in bulk are one way retailers can save money on these transactions.

Business to Business

Many companies sell products or services to other businesses and exclude end consumers from the business model completely. For example, a company might sell cloud storage to other companies, which are virtual servers that power websites and other technology. The companies that purchase this cloud storage use it to store data from their website or other company data securely. The seller in this transaction (for example, the cloud storage provider) markets its services to other businesses and often sells its services exclusively to the buyer for a set period of time. Transaction details are usually laid out in contracts or business agreements. Payment details vary from monthly invoices to other payment arrangements like quarterly or annual payments.

Wholesale to Consumer

Some wholesalers also sell products directly to consumers. Most of these transactions are done online from various wholesaler websites, or over the phone, since wholesalers rarely have warehouses open to the public for browsing and making purchases. These transactions are attractive to consumers because consumers are able to get lower prices on products that have not been marked up by retailers.

Consumer to Consumer

Consumers also are able to make transactions with one another. For example, if someone lists a car or other product or service in the classifieds section of a newspaper, another consumer can buy that car directly from the seller. These transactions typically do not involve wholesalers, retailers or other business. Online auction sites and classified sites have made this model even more popular since people have more resources to buy and sell things between other consumers. In-person transactions are often in cash, while online sites typically use online merchant services.

DIFFERENT TYPES OF BUSINESS AGREEMENTS

A business agreement is a formally drawn written document or oral promise between two or more parties that details a particular business venture.

A typical business agreement specifies details such as cost of goods sold, the product or service required, milestones, insurance, and work completion deadlines.

Unilateral Agreement

A unilateral agreement or contract is a legal binding one in which one party undertakes a promise without securing a similar promise or undertaking from another party. A unilateral agreement is a one-sided contract between an offeror (or promisor) and an offeree (or promisee). The party making the promise in exchange for goods or service is the offeror. The party acting on the offeror's promise is the offeree. An example of a unilateral agreement is a newspaper ad offering reward for a lost item, such as a passport. The offeree is under no legal obligation to look for the passport, but if he does find and return the lost item, the offeror is legally bound to pay the reward money.

Bilateral Agreement

A bilateral agreement or contract is one in which two parties exchange legally binding promises. Most business transactions undergo bilateral agreements, in which buyers and sellers exchange promises to buy and deliver a product or service. A sales contract is a bilateral agreement. One party promises to deliver a good or service, and another is legally bound to incur the cost of the good or service purchased.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 103 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Partnership

A partnership is a type of business agreement that is made between two or more parties or general partners (owners). A partnership agreement is a formal document that details the general provisions, capital, profit and loss, salaries and withdrawals, interest, managerial duties and restrictions, banking, books, voluntary termination, death and arbitration. The general provisions include the name of the partnership, purposes, place and term of business. Capital refers to financial or other contributions by the partners. The profit and loss incurred by a partnership is shared between its partners. All partnership funds are commonly deposited in bank checking or saving accounts. All partnership information--such as assets, liabilities and others--are maintained in partnership books that are equally accessible to all partners.

PRINCIPLES AND PROCEDURES FOR COMPILING QUOTES

When managing marketing and selling processes of a new venture principles and procedures for compiling quotes must be identified and implemented. These differ from organisation to organisation but they include:

- Costing and pricing calculations
- Terms and conditions (including payment terms)
- Legal implications of quotes
- An outline of a typical quotation
- Basic marketing and financial principles incorporated into quotes

COSTING AND PRICING CALCULATIONS

Costing and pricing are an important part of the product development processes. It is important that you know what the actual costs of making a product are before you begin negotiating orders with buyers.

Costing is the process of working out how much it costs to provide a product of service.

Pricing is the process of working out what price you will sell your product or service, taking into account costs, profit margins and what the market will bear. To cost a product you add the profit margin you want to the cost of labour, overheads and materials.

Pricing and Costing are important on-going activities for any business. If a business does not know the true cost of making a product, they may be selling at a loss. If a business prices their product without looking at the current situation in the market, they may price the product too high, and have difficulty selling.

Costing and Pricing are important:

- to be profitable
- to be competitive in the marketplace
- to make good business decisions
- to be successful

<p>If your price is too...</p> <p>HIGH ...Your product will not sell</p> <p>If your price is too...</p> <p>LOW....You will lose money</p>	<p>When should Costing & Pricing be done?</p> <ul style="list-style-type: none"> ▪ as an ongoing process ▪ as part of product design and development ▪ reviewed at least every 6 months
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 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 104 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Determining the Cost of your Products

The cost of a product includes both direct costs, like materials and labour, and indirect costs (also known as fixed costs or overhead) which include things like rent, wages, electricity and other expenses a business might have even if they are not doing any production. Your profit margin should also be added into the total cost of the product. Let's look at what should be included as direct and indirect costs:

CALCULATE DIRECT COSTS:

Raw Material Costs

- Raw materials used in product (glaze, paint, clay, thread, buttons, cloth, wood for kiln)
- Labels, tags and packaging
- Cartons and packing materials

Labour Costs

- Labour to produce item - this may be calculated by either an hourly or piece rate basis
- Labour for inspection and quality control
- Labour for packaging and packing

CALCULATE INDIRECT COSTS (OVERHEAD)

- Rent
- Utilities
- Communication (fax, phone, internet)
- Office supplies
- Salaries
- Professional services (like customs broker, accountant)
- Marketing expenses (trade fair, promotional materials)
- Equipment repair
- Transportation (fuel)
- Other expenses

These indirect costs can be calculated by piece or as a percentage of direct costs.

CALCULATE PROFIT MARGIN

Your profit is what you earn after all costs have been covered. Most businesses calculate a profit margin of between 10% - 15% of total costs. This margin will also help to protect you against any unexpected costs, such as a sudden increase in the cost of materials, or a change in the exchange rate.

DETERMINE SELLING PRICE

Once you have added your costs and your profit, you will have your Ex-Works price (also known as the Ex-Factory price). This is the cost of the product as it leaves the factory or warehouse. However, most export prices are quoted as F.O.B prices (Free On Board). The F.O.B. price includes the Ex-Works price plus all additional costs related to getting the product to the port of export, such as transporting the product from the workshop to the port, export documentation costs, customs fees, bank charges, and other additional costs. These charges can add an additional 10%- 25% to the price.

Raw Materials + Labour (wage) + Overhead + Profit (10-15%) = Ex Works Price + (10 - 25%) = F.O.B Price.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 105 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

TERMS AND CONDITIONS

Terms and conditions are general and special arrangements, provisions, requirements, rules, specifications, and standards that form an integral part of an agreement or contract. These requirements must be met when compiling quotes and they may include payment terms. These are conditions under which a seller will complete a sale. Typically, these terms specify the period allowed to a buyer to pay off the amount due, and may demand cash in advance, cash on delivery, a deferred payment period of 30 days or more, or other similar provisions.

LEGAL IMPLICATIONS OF QUOTES

Sales people talk or send e-mails to customers and prospects all day long. They make sales presentations, handle objections, quote price and delivery, write proposals, and close orders. After a while it almost becomes automatic or second nature since this is what sales people do. Yet, sales people probably don't think of themselves as acting as a legal agent of the company.

Legal terms should be incorporated on the back of or attached to any quotation given to a customer on behalf of the business where the supply of goods does not depend on the subsequent completion of an order form. The quotation itself should be signed by a representative on behalf of the business and provide the company / business details.

The actual quotation should contain details of the price, (including deposit, VAT and delivery charges) and should include a delivery schedule and specification of any works to be completed. The quotation should also be dated. These standard terms may not be suitable for hire purchase, credit or conditional sales where the Consumer Credit Act would apply.

CLAUSES IN THIS AGREEMENT:

- Details of how long the quotation will remain valid.
- The amount of notice the customer must give to cancel their order.
- When the customer must pay for their order.
- Details of guarantees (if any) provided by the business.
- When title and risk in the goods pass to the customer.
- Complaint details for goods damaged on delivery and losses suffered.
- When the customer can cancel order due to non-delivery.

Reasons to buy:

All businesses need to have clear terms and conditions of business to reassure customers they are dealing with a professional organisation. For the organisation it provides commercial certainty and clear terms that can be enforced against the customer.

AN OUTLINE OF A TYPICAL QUOTATION

Sales are the part of many businesses and there are lots of parties that always have their interests in the sales from a certain entity. There are organizations who are involved in exchange with selling parties but at times the individuals have interest in sales offers. The sales quotation is what most of the people look for, the exchange of things of value usually happens after witnessing the quotation offers. This is reason why the sales quotations are so important to structure around people interest.

The following sales quotation template is also devised to help people in structuring a sales quotation in attractive style. You can simply use this free sales quotation template to get your jobs done in smart style. It will let you structure your offers around people interest after proper usage and you will be able to see things happening in your way. This template includes almost everything that may be required in a sale quotation.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 106 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

DOLLY'S DIY

BILLING ADDRESS:	
Mr Rich 11 Penny Street Youwish Town Durban	1555
Attention: Mr Rich MrRich@money.com	
Client VAT No: 11111111	

QUOTATION	
DATE	
PURCHASE ORDER	
VENDOR NUMBER	
ORDER NUMBER	
DOLLY'S DIY ADDRESS 55 HAPPY LANE NOWHEREVILLE JOHANNESBURG	
2019	
DOLLY@DIY.CO.ZA	

QUOTATION			AMOUNT (Excl. VAT)	
DESCRIPTION	QTY	UNIT COST		
PETROL	3040	R 4,20		12 768,00
VEHICLE HIRE	1	R 1 000,00		1 000,00
LABOUR - PAINTERS	36	R 60,00		2 160,00
LABOUR - DRIVER	32	R 50,00		1 600,00
PAINTING AND FINISHING	1	R 101 528,00		101 528,00
			Subtotal	119 056,00
			Vat	17 858,40
Thank you for your business			TOTAL	136 914,40

ACCOUNT DETAILS
Standard Bank Business Cheque Account, Account No 00000000, Branch: Jolly Town, Branch code: 1234

Basically you can divide the quotation into 3 main parts: The Header, Body and Footer. The following is some basic information that you can include in your quote.

QUOTATION HEADER (TOP PART)

- **Your letterhead:** Your business name, address, telephone & email and web address if available. In some countries, you must also include your business registration number.
- The words "**Quotation**", "**Quote**", "**Estimate**" or your preferred term clearly written towards the top of the page.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 107 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

- If you are registered to bill and collect tax, you may also need to include your **Tax Registration Number**. This can usually be indicated just below the words "Quotation" or at your letterhead.
- The **Quotation Number**. This a running serial number that you maintain. You should only have one number per quotation issued. Hence, no 2 quotations should have the same number.
- The **Quotation Date**.
- **Your Payment Terms** or how soon you expect to be paid. Some example include: "COD", "Cash", "Cash on Delivery" "30 days", "Full Payment on Delivery", "50% To Start, balance on completion". The payment terms can also be placed on the footer if preferred.
- Your **Customer or Client Name and Address**.

QUOTATION BODY (MIDDLE PART)

- A **description of the goods** you are supplying, quantity, unit of measure, price per unit and total amount for individual items. In the case of services, your **scope of work** and amount for individual items. It is important to be as specific as possible to avoid confusion and misunderstandings between the vendor and the customer. If it will help make things clearer, you may need to add drawings or specification etc in attached sheet or sheets.

QUOTATION FOOTER (BOTTOM)

- **Total Amount** of all individual items
- If applicable, a **tax amount and total after tax**
- **Validity of the Quote**. For example, "This quote is valid for 60 days"
- Other **comments** you may have like delivery instructions, goods return policy, overdue payment policy etc. If necessary, you can also seek legal advice when drafting the terms and conditions for your quotation.
- Your business **authorised signature** if necessary
- Options for **customer to sign and stamp** if your quote is accepted (this is optional)

SEEKING SUPPORT IN COMPILING QUOTES

A sales quote allows a prospective buyer to see what costs would be involved for the work they would like to have done. Many businesses provide services that cannot have an upfront price, as the costs involved can vary. This can be due to the materials that would be used (which can differ depending on the individual needs of the customer), and the manpower that would be necessary. Therefore, it is common practice for these companies to provide the potential customer with a quote (or estimate) of how much it should cost. This quotation will be made by the company using the information that the potential customer provides, regarding the relevant elements that may affect the price. A quote can help the prospective buyer when deciding which company to use, and which services they are looking for.

When considering the information provided on a quote, not only the price should be important; it is also advisable to look at quality and professionalism within a company. This is why it is common practice for most companies to provide prospective customers with portfolios and examples of previous work. This can also help the potential customer when deciding which company to choose for the work they need to have done.

You can use any word processor or spreadsheet software program to create a quotation. However, these programs have limitations in that you cannot easily generate a quotation lists report. Also searching for a quotation means searching files in your hard disk and opening them one at a time. You can overcome these limitations by using a designated quotation or invoicing software product such as our own Instant Invoice 2007 or Ezy Invoice 7. Alternatively, external or internal support may be sought where necessary in order to ensure full understanding of the criteria that apply. A quote must be accurate, complete and understandable. In order to achieve this, support is

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 108 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

needed when compiling quotes especially when the person involved is not “knowledgeable” enough. This will save the reputation of the organisation as a whole.

THE COMMON PITFALLS IN QUOTING AND ORDER TAKING

Rules for import request are pretty much on same lines as that of export offer. A request for quotation must be precise, quantified, practical and convincing. Learning the rules not only help buyers get good response from authentic sellers but also help sellers and agents to judge the requester.

Here's few points to remember while requesting quotation:

Identity

The buyer must state his/her full contact details including name of contact person, mailing address, telephone, fax, e-mail and www home address (if any).

If you receive a request for quotation (RFQ) with no or insufficient details about identity of the sender - then request more information before sending quotation. Any request with scant details on buyer's identity is perhaps not worth pursuing.

Background

Some information about context or background is extremely helpful for timely and knowledgeable response. It not only helps sellers to respond with relevant information but also helps buyers in cutting down negotiation time by avoiding un-necessary exchange of mails. A RFQ for same product may come from

- End-user (e.g. manufacturer requesting a component or ingredient)
- Wholesaler
- Retailer
- Agent/Distributor

The nature of response from seller may vary considerably for each of the above groups though product may be same. Buyers can save considerable time by providing a brief context of the request.

Supporting Information/Documents

Mention your official export-import registration number, bank name, affiliation etc. wherever necessary. A link to corporate web-site saves considerable time and effort. Generally, all information that contributes to establish your credibility will support your business. You may be well known in your country but not necessarily abroad!

Product Specification

This is the most important and core of any import request. Nothing frustrates a seller more than an incomplete and imprecise request for quotation. Insufficient or improper product description/specifications reflects poorly on credibility of buyer and fails to evoke response from authentic sellers.

Quantity

Remember, price depends on quantity to a great extent. It will be difficult for a seller to quote price without knowing minimum order quantity

Mode of Shipment / Destination / Delivery Period

Without clear statement or preference of buyer on above the seller may quote something default (for example, FOB) - leading to waste of time and money in exchanging mails.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 109 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

COMMON MISTAKES

- Insufficient contact details
- To ask a quotation without specifying quantity, exact quality, delivery time etc.
- Offer of several completely different products
- Too low or too expensive prices visa-versa market prices
- Offer of quasi non-existent products in a country
- To propose a factory for 5 million Rands with Hotmail address and portable phone or a tel/fax contact
- To ask for financing without any contribution except an idea
- To ask a 100% financing
- To ask for a financial partnership without an appraisal and financial report from a recognized specialized accounting firm
- To ask for goods on credit in first transaction
- To ask for samples on introduction



The above also applies when taking orders. Noise when taking orders leads to incorrect orders being taken and wrong goods being delivered. When taking orders one must ensure that there are proper communication channels in place and the "seller" must endeavour to write down every customer's order neatly and confirm the details with the client before processing the order/quotation.

MODULE 3 - PART 4

	OUTLINE PROCESSES AND PRINCIPLES FOR COMPLETING TENDER DOCUMENTS	SO 4
	Tendering principles pertaining to commercial and public tenders are explained with examples.	SO 4 AC 1
	The risks associated with tendering are identified and basic risk management procedures are implemented according to own business context.	SO 4 AC 2
	The financial advantages and disadvantages of a tender are analysed to determine if it would make business sense to submit the tender.	SO 4 AC 3
	Support is sought to complete tender documents where relevant in order to ensure full understanding of tendering conditions and criteria.	SO 4 AC 4

PROCESSES AND PRINCIPLES FOR COMPLETING TENDER DOCUMENTS

A Tender Process (or "Invitation to Tender" process) is a method by which suppliers are selected for the provision of products and services to an organization. The process involves creating a suite of Tender Documents to manage the supplier selection process. The Tender Documents help the organization to select the best possible supplier available, and include documents such as the "Statement of Work", "Request for Information" and "Request for Proposal".



A business tender is an offer to do work or supply goods at a fixed price. The tender or bid process is designed to ensure that the work to be done is given out in a fair way.

There are a number of policies (known as "procurement policies") which are used as guides on how to make decisions on which tender to accept. Although price is very important in the decision on which tender or bid to accept, it is not the only factor taken into account. Once the client entity accepts a tender, it is binding on both parties. This means that the person or company that won this business opportunity has to provide the goods or services in the manner agreed to and at the price offered, and the client entity must pay the agreed price at the agreed time. In other words, once accepted, a tender is a binding business contract.

	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 110 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Even if you don't win the work this time, writing a tender can clarify your aims, strengths and weaknesses and you can learn for next time by asking for feedback on your bid. It raises your profile with the client and helps you learn about the client's needs.

Tenders in South Africa are a lucrative source of income for small business, but can be challenging to negotiate, particularly since legislation has changed, and requirements differ between organisations and government sectors. Getting the process right not only saves time and effort but has the potential to set up lucrative income streams.

TENDERING PRINCIPLES

You can find out about private sector contracts in a number of ways:

- Build contacts with potential customers
- Advertise in local and national newspapers
- Advertise in trade and professional magazines covering your area of business
- Research contracts outside your business sector which may produce secondary contracts for you, for example, if a new office block is built, it will need desks, carpets, signage, stationery, cleaning and laundry
- Follow up press and other reports - a company may be expanding or sub-contracting part of a big order
- Network and pick up information from other businesses

You can identify public-sector contracts by:

- Following up contract notices published in newspapers and trade magazines;
- Getting the government tender bulletin;
- Searching department websites;
- Alternatively, one can access the Online Tenders website at a nominal monthly subscription cost to get the latest tenders and business leads in SA.



Online Tenders is a tender notification service that researches business tenders in South Africa and business leads throughout the country, classifies and matches the tender that is relevant to your exact business requirement. These tenders are then emailed to you on a daily basis or you can simply access the Online Tenders website for further tender information.

Finding the right tender opportunity is exciting and may just prove to be your first step in forging a profitable new business relationship. However, finding requests for tender that are well matched to your business requires time and persistence. Public sector tender processes tend to be time-consuming and particular. However, they can reap big rewards if supported by a well-considered approach and professional attention to detail and presentation. Here are some of the main ways you can find out about tender opportunities.

MONITORING TENDER SOURCES

Subscribe to tender search websites

Numerous public and private tender sources advertise tender opportunities. Monitoring these sources regularly will help you make sure you stay aware of tender contracts on offer in your sector. For paid subscriptions, private tender search organisations send you updates on tenders that match your business profile. You can find local, state and federal government tenders through government and independently managed tender alert websites.

Monitor local and national newspapers

Most papers include a list of current tenders in their public notices or classifieds sections. Check selected newspapers regularly for national, state-wide and regional tender advertisements from public, corporate and regional business sectors.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 111 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Read trade magazines

Subscribe to industry or trade publications in your sector to make sure you find out about tender opportunities in your industry.

Attend networking events

Trade shows and industry expos are good sources of information on business opportunities. They also help you make contacts and build relationships with peers in your industry who will share their market knowledge.

TYPES OF PROCEDURE

Tenders are normally invited under either a “restricted” or an “open” procedure.

Open Tendering Procedure

This procedure is generally used where the expected number of responses is likely to be manageable. Any organisation expressing an interest in an advertised opportunity is invited to tender and is issued with a tender pack. This must be completed fully and returned with any requested supporting information by a specified date and time. A panel of officers evaluate responses against pre-set criteria and the highest scoring tenderer is awarded the contract.

Restricted Tendering Procedure

This procedure is generally used if a high level of interest is anticipated. This procedure requires organisations who express an interest to undergo an initial pre-qualification assessment to appraise such things as their economic and financial standing, capability and capacity and compliance with Health and Safety and Equal Opportunities. Normally organisations are sent a pre-qualification questionnaire which must be completed fully and returned by a specified date and time. A panel of officers evaluate responses against pre-set criteria and the most suitable applicants are then invited to tender.

Electronic Tendering (e-Tendering)

Electronic tendering (e-Tendering) uses a secure portal to conduct the entire tendering process electronically. This involves every step in the tender process from expression of interest through to contract award. This form of tendering requires organisations to register an interest online, at which point they will be able to access all tender information and questionnaire(s). Organisations are required to complete and submit their tender submission online, by a specified date and time. Evaluation will be against pre-set criteria and will either be completed automatically by the portal, or by a panel of officers where automatic scoring is not achievable e.g. for a lengthy written response.

Electronic tendering can be used when following any type of tendering procedure, and if appropriate, could also involve the use of an electronic reverse auction (e-Auction).

RISKS ASSOCIATED WITH TENDERING

Tendering processes require stamina. Be confident in your tender choice and approach. A well-chosen tender opportunity increases your chances of success and reduces your risks, time-wastage and costs to your business. The risks pertaining to tendering includes, cash flow, funding requirements, compliance requirements, performance requirements and technical requirements.

Project risk process comprises five key areas. This includes the decision to tender, tender risk review, project start-up, project execution and finally project close-out.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 112 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

The risks associated with projects are potentially the biggest risks faced by an organisation. Accordingly, the process used in this area must be rigorous and provides for many hold and witness points to ensure that only projects that are appropriate to the group are tendered. The risks associated with these projects are considered on a project by project basis and a specific report, risk register, cash flow and other documents are required to ensure that the conditions surrounding each individual project have been properly evaluated and that appropriate control measures instituted.



Cash flow is the incomings and outgoings of cash, representing the operating activities of an organization. In accounting, cash flow is the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative. Cash flow is increased by (1) selling more goods or services, (2) selling an asset, (3) reducing costs, (4) increasing the selling price, (5) collecting faster, (6) paying slower, (7) bringing in more equity, or (8) taking a loan. The level of cash flow is not necessarily a good measure of performance, and vice versa: high levels of cash flow do not necessarily mean high or even any profit; and high levels of profit do not automatically translate into high or even positive cash flow.

Risk is a probability or threat of a damage, injury, liability, loss, or other negative occurrence that is caused by external or internal vulnerabilities, and that may be neutralized through pre-emptive action.

The cost and effort in responding to and complying with Tender Specifications can be very expensive and taxing on the business. Compliance is often regarded as part of the drudgery of writing a tender response. Failure to take compliance seriously and manage it properly can result in disaster. By putting some simple processes in place, you will not only make sure you never get disqualified for non-compliance, but you'll add value to your response.

Low pricing - companies that lack past experience may try to score high points by submitting a low price. This can be risky as, if the price is too low, the tendering company may not be able to pay their staff and suppliers.

RISK MANAGEMENT PROCEDURE

Risk management should be seen as an ongoing process, rather than a one-off procedure that you apply to an individual threat. You should continuously reassess threats and actively search for new ones.

Risk management is a structured way of controlling risk. There are various ways you can do this, but the following steps outline a typical approach:

Identify risk - to manage risk, you have to be able to identify potential threats. This allows you to act before something happens, rather than 'fire-fighting' after an event.

Risk assessment - you might not need to invest time and money in reducing risk, but you need to take a measured approach to it. Assess its importance to your business. If the risk is serious enough, then you may need to take further action. Some risks may not warrant further work.

Risk mitigation - risk reduction - with many risks you can implement preventative measures that will significantly reduce the probability of the risk occurring.

Risk mitigation - impact reduction - for some risks, you may not be able to reduce the probability of them occurring to an acceptable level. Therefore, you should think more about reducing the negative consequences of that risk should it actually affect your business.

Contingency planning - often the best you can do is make plans for how you would survive a problem. Contingency plans are what you would do after the worst has happened. A particularly important form of contingency plan is a disaster recovery plan.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 113 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

EXAMPLE

(Construction tender risks)

Responding to RFTs (requests for tenders) can be risky, given that your tender response is a legal offer and you may be bound to the terms within it, if the client accepts it. Responding to a complex tender can also be very time-consuming, tying up substantial company resources for significant periods of time.

For both of these reasons you need to:

- Evaluate the risks associated with each tender carefully, to ensure that it is in your organisation's best interests to respond
- Establish an effective team to develop the bid and work to a realistic schedule that will allow the team to produce a thorough response within the available timeframes
- Oversee the development of human and physical resource cost estimates very carefully, to ensure that the tendered price is accurate and comprehensive of all likely costs
- Prepare the response carefully, to ensure that it meets all necessary requirements and evaluate it to ensure that it is accurate and professional
- Gain the necessary endorsement or approval before submitting the tender response to the client

Top 10 risks

Below is a list of potential risks that should be assessed when responding to Requests for Quote or Tenders. These risks are generally the same as those you would identify for any building and construction project:

1. What constitutes a breach of contract and what is the resultant impact. Will a breach trigger termination, or will it require make good or rectification at your own cost? Can you terminate the contract or can it only be done by the client?
2. Delays caused by circumstances outside the builder's control, such as:
 - ✓ Delivery delays that delay project completion
 - ✓ Subsequent delays in progress payments
 - ✓ Labour shortages
 - ✓ Weather
 - ✓ Are you liable for any delays and what is the impact of this liability?
3. Exposure through clauses that work against the building organisation, such as clauses that hold the builder responsible for circumstances outside their control.
4. Disputes over payments, either payments from the client to your organisation or payment from your organisation to subcontractors. Assess your cash flow to ensure that you can make payments to subcontractors even if you haven't been paid by the client for a particular milestone.
5. Incorrect labour or materials costs, or miscalculations in any figures given. Have you added any budget or materials contingency?
6. Inappropriate funding levels and funding shortfalls for the project, resulting in a suspension or cancellation of the project or renegotiation of terms and conditions during the project.
7. Industrial disputes through misunderstandings onsite or through overt action.
8. Risk of default or non-performance of one or more of the key players, including the client, the builder and subcontractors.
9. Ignoring risk and failing to plan for it.
10. Positive risks. Risk is usually seen in a negative light, but some risks are positive and can be seen as an opportunity to enhance procurement objectives. These can include currency fluctuations and even proposed

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 114 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

changes to legislation or regulations which could simplify compliance requirements and therefore reduce the overall cost of the contract.

Some tips

Scrutinise all the RFT documentation and complete a risk assessment for the project. Check the information in all of these documents and note all the project requirements / special features or issues. Look for missing information / inconsistencies / discrepancies in the information provided. These kinds of omissions and inconsistencies pose a risk right from the outset and need to be considered carefully.

All the contract documents need to be thoroughly scrutinised to identify all requirements, all conditions and all risks. Review proposed conditions of contract, as many of its clauses will seek to apportion the risk associated with the project to one of the parties to the contract, either the client or the head contractor.

Generally, risk should be borne by the party that can best control the risk, so it is appropriate that the head contractor bear some risks that are within their control, such as those related to the schedule of work or site management. The head contractor needs to ensure, however, that they are not being asked to bear risks over which they have limited or no control.

Given that builders are frequently engaged through tendering processes, especially for large projects and particularly by government agencies, knowing how to respond well to RFT's can greatly increase the volume of work that a building organisation can bid for and win.

FINANCIAL ADVANTAGES AND DISADVANTAGES OF A TENDER

There are many benefits to your business if you decide to tender for a public sector contract.

- Public sector organisations are good customers, because:
 - ✓ dealing with suppliers and the selection process they have in place must be honest and professional
 - ✓ most public sector organisations are also long-standing customers, and are obliged to pay within 30 days (or any other agreed period) of receiving a valid bill or invoice
- You may also find that trading successfully with the public sector can make your business more attractive to other private sector customers
- Public sector contracts are not simply awarded to the lowest bidder. They are obliged to obtain the best value for money which means they must choose the bid which offers the best combination of costs and quality (or fitness for purpose), as required by the buyer
- Maximum Sale Price- Tenderers have the opportunity to submit bids, and do not know how much anyone else is tendering, they are therefore forced to go straight to their best price
- A Tender may well offer more than what a Tenderer expects. The Tenderer's cash flow will be improved
- Another general advantage is Confidentiality- Tenders submitted are confidential, and the sale price of the property is generally not public knowledge

Disadvantages

Preparing business tenders can help you to win big orders, but it can also;

- ✓ Be time-consuming
- ✓ Cost money and
- ✓ Takes up valuable resources.

If you don't get the contract, the money and time spent is usually lost, so you need to weigh up whether or not a tender is worth bidding for.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 115 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Key points to consider:

- ✓ Get hold of the bid documents and analyse them
- ✓ Make sure you can match the technical, skill and experience requirements
- ✓ How much will it cost to prepare your bid?
- ✓ Would the work fit in with your strategy and positioning of your business?
- ✓ Estimate the costs of fulfilling the contract and whether or not you'd make enough money to justify it.
- ✓ Assess how the contract would affect your other work, staffing and ability to take on other new business opportunities

You also need to consider how important the client is to your business contracts. Is this a good potential client or one you don't want to offend by not tendering? Try to understand things from the client's point of view.

SUMMARY

Working out whether a new business opportunity is worth going for is an important skill. Tendering for contracts you have no realistic chance of winning wastes your time and that of the purchaser.

- ✓ Do you do what they are looking for?
- ✓ Fit your company profile?
- ✓ Match your experience?
- ✓ Match your staffing and facilities level?
- ✓ Require a capital investment from you?
- ✓ Require you to show that you have successfully completed similar work in the past?
- ✓ Require you to have policies and systems in place such as health and safety, sustainability and standards and quality?
- ✓ Require you to obtain any additional accreditation or certification?

The answers to these questions will determine to some extent whether it is worthwhile for you to tender for the work or whether you need to improve your company fitness before you start to tender for this and other public sector work.

As a business, you may want to ask yourself the following questions:

- ✓ Does this opportunity match your marketing strategy?
- ✓ Who will you be competing against and what is the strength of that competition?
- ✓ Will you make sufficient margin on the sale or are you willing to bear the loss to get a foothold in a new market?
- ✓ What impact will it have on your cash flow?
- ✓ Would this sale take up spare capacity or warrant investment in a new plant or new machinery?
- ✓ Will this contract enable you to increase investment in your business and move to a new level?
- ✓ Would you have to recruit extra staff to take on this job?
- ✓ Does the contract give you the opportunity to develop new product lines?
- ✓ Does your performance of the contract depend on the performance of others (either another contractor or the public sector)?

SEEKING SUPPORT WHEN COMPLETING TENDER DOCUMENTS

Once you have identified a tender that you would like to pitch for, you need to access and complete the tender documents. On this point, filling them out correctly plays a vital part in the potential success of your bid. It's not so much that it's difficult, but more that it requires you to be highly specific and pay close attention to detail, especially

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 116 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

for government tenders. If you forget to include your price you will be disqualified. Deliver your tender one minute after the deadline and it won't even be considered. If your product or service does not comply with the specifications of the tender, your bid will be removed from the list and you would have wasted your time. For national and provincial government tenders you will need to fill out standard forms. Give yourself plenty of time to complete and post, courier or hand-deliver the documents by the deadline.

It's advisable to contact a Tender Advice Centre (or experts) who will help you get hold of and complete the tender documents correctly



Tender document are the focal point in the tendering process and furnish all information necessary for a prospective tenderer to prepare a responsive tender for the supplies, services and works to be provided. While the detail and complexity of these documents may vary with the size and nature of the contract, they generally should include:

1. Invitation to tender;
2. Instructions to tenderers;
3. General and special conditions of contract;
4. Technical/services specifications;
5. Tender form;
6. Contract form;
7. Appendices (model financial offers, forms for guarantees, etc., as applicable)

The tender documents are drafted so as to permit and encourage the widest possible competition. They clearly define the scope of supplies and associated services, the services and works to be supplied, the rights and obligations of the contracting authority and of suppliers, service providers and contractors, and the conditions to be met in order for a tender to be declared responsive, and they set out fair and non-discriminatory criteria for selecting the winning tender.

Sometimes when completing tender documents, the answer is to go to an expert, a creative company (or freelancer) to design and produce a professional tender document that has all the elements to create a successful sale. Your tender document is like a mirror. It's a direct reflection of your organisation and you as a person, and the reader will judge you. Remember, first impressions last. Although there are some great software tools for creating documents yourself, there is no substitute for some real creative input from someone who understands the fundamentals of creating a visually precise document and the tendering conditions and criteria.

PREPARATION

The following must be put into consideration when completing tender documents.

Do not rely on reputation

You may have the name but there is always a competitor who will go the extra mile to out-shine you for a new contract. Invest in your tender production and never get complacent with your existing contacts. Treat every tender as if it were your first for a client.

Timings

Plan ahead and take the time to get it right. Create the best presentation you can, both in terms of the information you need to present and the way you need to present it.

Competitive research

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 117 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

How does the competition look? What do they say about themselves? How can you differentiate yourself? Can you use their own information to your advantage in any way?

Be creative

Use creativity and design to compete with the “big-boys”! You may feel that if you are a smaller organisation your tender document will not be taken as seriously. But, if you present a tender as professionally as the competition, you're in with a chance. You may even gain the advantage if you can offer the same solution at a lower cost than the larger company.

DESIGN

How do you make yourself memorable? Is it your name? Your brand? Your corporate identity? Whatever it is, in addition to the quality content you produce for your tender, open your mind to the value some creative thinking and quality design input could bring to make you stand out from the competition. This could be through typography, illustration, tone-of-voice, or, quite simply, the professional design execution of your corporate guidelines. Creativity also adds value to the finished physical document. Here are some insights from a creative point-of-view.

Branding

Be confident with your brand. After all, this is who you are, what you are proud of and at the heart of “what” you are trying to sell to the reader. Don't be afraid to utilise the recipient's branding, but do use it appropriately. Do not try and mimic their collateral or house-style, you may fail, devaluing their identity and therefore your proposal. Concentrate on being confident in who you are.

Page layout

By using a clear and simple page structure in your document design, your information will be more legible and have more impact. Proper use of white space, margins and consistent page styling throughout your tender document will allow the reader to engage with each page.

Contents and page numbering

Make it easy for the recipient. Provide a table of contents, even an index if necessary, so they can easily get to the data that is pertinent to them. Ensure your page numbering corresponds with the contents and that your page numbers are legible and easy to find on each page.

SECTIONS

Break your tender document up into defined sections and consider using tabbed inserts in your presentation to differentiate them. If your content is placed into manageable “chunks”, they are far more likely to be read. Also, consider using colour-coding as a visual aid and relate this back to the contents section.

Colour

Use your corporate colour palette consistently and effectively. Use colour to break up sections in your design, define headings, create call-to-actions, or to draw the eye of the reader to any information you feel is key. Also, don't overdo reversed text - white text out of a colour - as this will be more difficult to read when used on larger areas of copy.

Typography

Utilise your corporate font consistently throughout your tender document, placing emphasis and clarity on headings and key information. Ensure that your body copy font is easy to read with a point size and leading (the space

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 118 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

between lines of text) that allows for clarity. Finally, lower case text is proven to be easier to read for longer blocks of text so STAY AWAY FROM CAPITALISATION.

Imagery

If the design of your tender document requires imagery, make sure it is good quality and at a decent resolution for the final piece. When printed, a poor quality image at low-resolution will not look professional. Also, ensure your company imagery does not look too dated.

CONTENT

Spelling and grammar

It is vital that you spell-check and proof-read your tender document before you send it. If it reads poorly and is riddled with spelling mistakes, this will reflect on your levels of competence. Utilise colleagues to read your document. Is it legible? Does it make sense? Try showing a family member or someone who does not understand the subject. Can they still take away the key message?

Table and charts

If you are displaying data as a graph, or in a table, make the data clear and engaging within your design. Consider how the recipient will interpret your data. A dull page of figures may not stimulate interest in what could be your most important page of data. Similarly, a graph can also create an easy-to-interpret display of what could be complex data. Keep it legible and avoid complicated graphing styles that get in the way of the data you are presenting.

Copywriting

The value of a good copywriter to translate your content into easy-to-read and compelling words could make the difference when it comes to getting your message across effectively. Do not let your tender document suffer as a result of your inability to write in an engaging manner. Asking for help, accepting feedback, or even paying a copywriter to reshape your basic draft should be considered.

Testimonials

Although not always appropriate if you are tendering to a vertical market, a good testimonial is actual evidence of success. If genuine, the reader has a third party endorsement of the good work/service you are already providing for someone else. Use these to your advantage.

Personalisation

Why not make this personal? You should know the name of the company, and of the decision maker your tender document is being sent to. A tender document with personalisation has an extra dimension when it comes to engaging someone. Digital printing and variable data systems make personalisation very affordable to incorporate into your design.

PRODUCTION

It is very important that you produce your tender document professionally. There is nothing worse than a tender document, however good the information inside, that has been printed on an office colour printer and thrown together into a folder. Chances are the colours will be off-brand, margins will move and you will be restricted to a white border on the outer edge of every page. Have your presentation printed, cut and bound by specialists, this will ensure that the first impression is excellent.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 119 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Templates

If you produce a number of tender documents for your business, why not design and produce templates with the option to overprint? This will ensure you are getting better value for money in the long-term by reducing the chances of unnecessary production and increasing the likelihood of consistent production. Create a set of design templates. Information can be replaced and updated, saving time by not having to start from the beginning each time. But, you must ensure brand consistency from one tender document to the next and be sure to proof thoroughly. Any reference to a previous tender, or company, could ruin your chances of success.

Stock

What stock (material) is your tender document printed on? Does it adhere to your corporate sustainability values? Do the delicate print finishes say “first-class organisation”? Have you even considered the impact a print finish could have on your design ideas? Specifying the appropriate material to print your tender document on, can add to the tactile experience of the reader. Remember, that you are not just limited to A4 paper. Get creative, but do remember the practical issues with size. Can it still be mailed? Will it sit in an in-box? A bit of lateral thinking may give you the edge.

Finishing

Do you need to be able to add further information to your tender document at a later date? Does the recipient need to be able to add anything? If so, why not produce an item that is flexible, like a folder or binder? It can still be branded, plus the binders can be bought in larger numbers if required. Another option is to purchase plain folders then produce a personalised sheet that is riveted in with the D-ring. This will add to the quality feeling of your tender document and demonstrate that you have considered who you are providing the proposal for and their needs beyond the initial delivery.

Tender carrier

If your tender document is made up of various pieces of documentation, consider how you will collate these items together. What will be the device that the various pieces go into? A well-produced tender put in a jiffy-bag will fail to impress. Creating a branded, individual carrier, be it a branded box, wallet, or the like, enhances the professional delivery of your tender. Furthermore, the additional container will ensure your valuable documents arrive cleanly and safely. The first impression your reader will receive is that you care about the documents and therefore the tender. Chances are, that will convey the message that you are the type of organisation that cares enough to be trusted.

Branded carrier sleeve

If your carrier/carton is not branded or personalised, or has been produced as a generic item, consider producing a sleeve that could slide over the item. This can be produced simply and cost effectively utilising a template. Simply update the name and/or branding of the recipient and produce digitally. This also enables you to produce the carrier in greater quantities and with more sophisticated finishes.

Delivery

Do not underestimate the value of the delivery process. Although you may have planned well in advance and your tender document is ready ahead of schedule, it may not be enough to rely on the ordinary mail to get it there for you. The additional cost of a dedicated courier could be perceived as excessive, but the value of your tender arriving before a deadline and being placed into the hands of the key decision maker is priceless if you win the business.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 120 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Deadlines

After all the blood, sweat and tears of getting the presentation perfect in every way... don't deliver late.

You will be eliminated from consideration, the hard work will have been worthless and your reputation will probably be taking a hammering.

In order to achieve the above, external sources and experts may be sought to assist in completing tender documents.

Compiling your tender submission

Each tender indicates a closing date. This is a very firm deadline and no late business tenders can be accepted. Bids or business tenders in South Africa have to be in writing. Each tender has a number of associated forms, which must accompany the tender you submit. The specific forms you require for your tender should be listed in the tender documentation. You should consider very carefully how you fill in these forms. Get advice if you are unsure of anything. The forms usually required for national and provincial business tenders in South Africa are the following:

THE BID

In this document you agree to be bound by the terms and conditions of the tender or bid.

TAX CLEARANCE REQUIREMENT

Your taxes must be in order to be successful with your tender or bid. This document has an 'Application for tax clearance certificate' form attached to it. You have to complete this form and hand it in at your nearest South African Revenue Services (SARS) office, to get a tax clearance certificate. You must then attach the original tax clearance certificate that you get from SARS, to the tender or bid documents. This certificate serves as proof that you are not in arrears with your tax payments.

PRICE AND MOTIVATION

Which of these documents you complete depends on the subject of the tender. In this form, you motivate your price, by describing the product you will supply or the experience of the person who will perform the service.

This form is often amended for the particular tender, so carefully check which one you need to complete.

DECLARATION OF INTEREST

This is the document in which you declare whether or not you have a relationship (friend, family, business leads) with anyone who works for government. This is so that those people are not involved in awarding the tender in any way, to avoid corruption.

PREFERENCE CERTIFICATE

You must fill in the form for tenders even if you are not claiming any of the preference points.

CONTACT FORM

This is the contract that binds the parties should the tender be successful. There are different forms for different contracts. There may be other forms to fill in for a specific tender or bid. These should be included with the tender or bid documents that you receive.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 121 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

WRITING YOUR TENDER

Make sure that you match the bid specification and answer all questions. Summarise your bid and explain why it answers the client's needs. Write this last, yet include it at the beginning of your tender.

Clients will also expect you to:

- State the purpose and origin of the bid
- Summarise your work as a contractor, past experience and credentials for this job
- Say how you'll carry out the work, and how and when the client's aims will be achieved
- Explain the benefits and value for money of your bid
- Detail when and how goods and services are to be delivered, and provide a timetable
- Demonstrate your team's skills, experience of similar work and their responsibilities if you win the contract
- Explain how you will manage the project
- Give details of your pricing and any aftercare arrangements within the price
- Be practical and identify potential problems without promising what's clearly impossible for you to deliver

Include a covering letter that responds to the bid invitation, summarises your main message. Additionally, explain how the documents are organised.

	<p>LEARNING ACTIVITY 3:</p>	<p>SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119672</p>
<p>Instructions</p>	<p>Complete this task in the workbook provided.</p> <ol style="list-style-type: none"> 1. State and explain any two selling techniques that can be used to promote a product/service 2. Sometimes it is necessary to ask for help when compiling quotes. Discuss. 3. Explain some of the common pitfalls in quoting and order taking with examples in relation to own business venture 4. In your own words define the term negotiation. 	
<p>Method</p>	<p>Writing and Discussion with Mentor / Facilitator</p>	
<p>Resource</p>	<p>The web, your own research and your mentor / facilitator</p>	

 <p>PHAKAMANI LEARNING ACADEMY</p>	<p>Title and Section</p>	<p>LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)</p>		
	<p>Next revision</p>	<p>09-10-2022</p>	<p>Created</p>	<p>09-10-2020</p>
	<p>Page number</p>	<p>Page 122 of 220</p>	<p>Reference</p>	<p>LG-BAP-01</p>
	<p>© Copyright Phakamani Impact Capital 2020</p>		<p>Revision Number</p>	<p>4</p>

MODULE 4: PRODUCING A BUSINESS PLAN

MODULE 4: LEARNING OUTCOMES

IDENTIFY AND DEMONSTRATE UNDERSTANDING OF THE ELEMENTS OF A BUSINESS PLAN
Legal business types for new ventures are identified and explained with examples
Legal registrations and any legislative compliance in relation to new venture are explained and included in business plan
A business plan is explained in terms of business, financial, marketing and operations plans
The codes of ethics pertaining to a business plan are identified and explained with examples
The business plan for the purpose of a management tool for new venture is explained with examples
The business plan for the purpose of funding a new venture is explained with examples
COMPILE AN ORGANISATION STRUCTURE FOR ONE'S OWN BUSINESS TO DETERMINE HOW A BUSINESS PLAN CAN BEST BE INTERGRATED
A business organogram is drawn up for own business
The broad functions required to effectively complete business activities are described according to overall business goals
Lines of authority and responsibility are designated in relation to organogram
Any relevant human resources needs are determined accordingly
IDENTIFY RESOURCES AND INFORMATION REQUIRED TO COMPLETE OWN BUSINESS PLAN
Coaches/mentors are identified to assist in compiling business plan (where relevant)
Information on the resources needed and procedures to be followed to achieve the plan is compiled in order to effectively execute business plan
The type of business ownership is decided upon and registration completed accordingly
The industry specific and legal requirements for own venture are identified and explained in terms of how they will affect the venture
All relevant information is gathered for the completion of the business plan
COMPILE BUSINESS PLAN
The structure and layout of the business plan is designed to be compatible with the nature of own venture
Business and operational goals are identified and procedures for the effective implementation thereof are outlined in business plan
Marketing plans are included in business plan
Financial and cash flow plans are included in business plan
An outline of how business will operate and achieve marketing and financial objectives are included in business plan
A vision statement that represents the goals and objectives of the new venture is outlined and integrated into overall business activities

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 123 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 4: PRODUCING A BUSINESS PLAN

UNIT STANDARDS IN THIS MODULE	119670	PRODUCE A BUSINESS PLAN FOR A NEW VENTURE	
	IDENTIFY AND DEMONSTRATE UNDERSTANDING OF THE ELEMENTS OF A BUSINESS PLAN	SO 1	
	COMPILE AN ORGANISATION STRUCTURE FOR ONE'S OWN BUSINESS TO DETERMINE HOW A BUSINESS PLAN CAN BEST BE INTERGRATED	SO 2	
	IDENTIFY RESOURCES AND INFORMATION REQUIRED TO COMPLETE OWN BUSINESS PLAN	SO 3	
	COMPILE BUSINESS PLAN	SO 4	
	Legal business types for new ventures are identified and explained with examples.	SO 1 AC 1	
	Legal registrations and any legislative compliance in relation to new venture are explained and included in business plan.	SO 1 AC 2	
	A business plan is explained in terms of business, financial, marketing and operations plans.	SO 1 AC 3	
	The codes of ethics pertaining to a business plan are identified and explained with examples.	SO 1 AC 4	
	The business plan for the purpose of a management tool for new venture is explained with examples.	SO 1 AC 5	
	The business plan for the purpose of funding a new venture is explained with examples.	SO 1 AC 6	
	A business organogram is drawn up for own business.	SO 2 AC 1	
	The broad functions required to effectively complete business activities are described according to overall business goals.	SO 2 AC 2	
	Lines of authority and responsibility are designated in relation to organogram.	SO 2 AC 3	
	Any relevant human resources needs are determined accordingly.	SO 2 AC 4	
	Coaches/mentors are identified to assist in compiling business plan (where relevant).	SO 3 AC 1	
	Information on the resources needed and procedures to be followed to achieve the plan is compiled in order to effectively execute business plan.	SO 3 AC 2	
	The type of business ownership is decided upon and registration completed accordingly.	SO 3 AC 3	
	The industry specific and legal requirements for own venture are identified and explained in terms of how they will affect the venture.	SO 3 AC 4	
	All relevant information is gathered for the completion of the business plan.	SO 3 AC 5	
	The structure and layout of the business plan is designed to be compatible with the nature of own venture.	SO 4 AC 1	
	Business and operational goals are identified and procedures for the effective implementation thereof are outlined in business plan.	SO 4 AC 2	
	Marketing plans are included in business plan.	SO 4 AC 3	
	Financial and cash flow plans are included in business plan.	SO 4 AC 4	
	An outline of how business will operate and achieve marketing and financial objectives are included in business plan.	SO 4 AC 5	
A vision statement that represents the goals and objectives of the new venture is outlined and integrated into overall business activities	SO 4 AC 6		

	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 124 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 4 - PART 1

	IDENTIFY AND DEMONSTRATE UNDERSTANDING OF THE ELEMENTS OF A BUSINESS PLAN	SO 1
	Legal business types for new ventures are identified and explained with examples.	SO 1 AC 1
	Legal registrations and any legislative compliance in relation to new venture are explained and included in business plan.	SO 1 AC 2
	A business plan is explained in terms of business, financial, marketing and operations plans.	SO 1 AC 3
	The codes of ethics pertaining to a business plan are identified and explained with examples.	SO 1 AC 4
	The business plan for the purpose of a management tool for new venture is explained with examples.	SO 1 AC 5
	The business plan for the purpose of funding a new venture is explained with examples.	SO 1 AC 6
	The type of business ownership is decided upon and registration completed accordingly.	SO 3 AC 3

INTRODUCTION

Starting an entirely new business is uncharted territory for most people. It offers great rewards, but equally high risks. About 80% of all new small businesses fail within the first five years. Wanting to be your own boss isn't enough to make you successful and, before you set up shop, you need to think hard about whether you have the right temperament, leadership skills, support system and dedication to be an entrepreneur.

Evaluate your strengths and weaknesses by honestly answering the following questions:

- *Are you a self-starter?* You need to be able to develop and drive projects, manage your time and follow through on details.
- *Are you willing to work long hours?* When you own a business you're committed to it 24 hours a day, seven days a week, particularly during the first few years.
- *Are you good at making decisions?* As a sole owner you will have to make decisions quickly, under pressure and on your own.
- *Do you plan well?* Research indicates that many business failures could have been avoided through better planning. Good organisation of financials, inventory, schedules and production is the oil that keeps any business engine running smoothly.
- *Do you have the strength to stay motivated?* Running a business can wear you down, especially when all the responsibility is on your shoulders. It takes strong motivation and passion to survive a slump in business, or periods of burnout.
- *Are you willing to invest?* True entrepreneurs put their money where their mouths are, and this might mean using personal savings or property.
- *Have you considered the possible impact on your family?* Starting a business can be hard on family life. The strain of a spouse who isn't behind you 100% may be hard to balance against your new business demands. There also may be financial difficulties until the business becomes profitable, which could necessitate lowering your standard of living.
- *Do you have a network of friends or associates who could provide outside financing?*
- Insufficient capital is a key cause of small business failure. If you are not able to obtain enough funds from a bank, you may need to rely on funds from friends and family. Most start-up business are funded this way.

If you can answer **YES** to most of the above questions, then you may have the potential to join the ranks of successful SMME owners. To this end you need to decide which business type suits you and your venture.

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 125 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

LEGAL BUSINESS TYPES

There are five popular types of businesses in South Africa which include sole trader, partnership, closed corporation, private company and public company.

SOLE PROPRIETORSHIP



It is the form of business organization in which an individual introduces his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the results of its operations. He may run the business alone or may obtain the assistance of employees. It is the easiest to form and is also the simplest in organization. The sole proprietor may borrow or sue other people's money in financing his business. "The individual proprietor is the supreme judge of all matters pertaining to his business; subject only to the general laws of the land and to such special legislation as may affect his

particular business."

Advantages of Sole Proprietorship

- Easy to Start
- Easy to Dissolve
- Freedom of Action
- Freedom from Government Control
- Owner of All Profits
- Low Taxes
- Secrecy

Disadvantages of Sole Proprietorship

- Limited finances
- Difficulties in Management
- Limited Span of Supervision
- Unlimited Liability
- Lack of Continuity

PARTNERSHIP



It is rare that a person combines in himself all that is essential to make him a successful businessman. A sole proprietor does not have the advantage of large expansion. He may possess adequate capital but he may be handicapped by the lack of experience, skill and managerial, ability. Or it may be other way round. Therefore, a combination of two or more persons, some having capital and others having skill or experience proves to be beneficial. According to Section 4 of the Indian Partnership Act of 1932, partnership is defined as, "The relation between persons, who having agreed to share profits of a business carried on by all or any one of

them acting for all.

The above definitions reveal that:

1. An agreement between the partners is necessary.
2. The agreement must be in regard to the sharing of the profits of the business.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 126 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

3. The business must be carried on by all or any one of them acting for all.

Advantages of Partnership

Many of the advantages of a sole trader are also present in the partnership form of organization. Therefore, advantages which render partnership preferable to sole proprietorship are given below:

- Large Amount of Capital
- Combined Judgment and Managerial Skills
- Personal Interest
- High Credit Standing

Disadvantages of Partnership

- Divided Control / Delay in Decision Making
- Frozen or Blocked Investment
- Limitation on Size
- No Legal Entity
- Lack of Secrecy

CLOSED CORPORATION



The close corporation (CC) is a more simplified and flexible business than a company. It is ideally suited to small businesses. The managerial and administrative requirements for close corporations are less formal than for companies.

In contrast to a company, the CC Act has been so designed that the ordinary person would be able to draft the papers and register the corporation by her/himself. Although a close corporation is required to have an Accounting Officer, audited financial statements are not required. The Companies Act prescribes compulsory meetings for companies, such as annual general meetings. There are no equivalent requirements for close corporations. Meetings are usually held between members on an ad hoc basis. The members of CCs do not all have to take an active role in the running of the business. Although in most CCs, the “members” are also the managers of the business. Close Corporations are governed by the closed corporations Act 1984.



Closed corporations are no longer registered in South Africa.

PRIVATE LIMITED COMPANY



A privately held company is a business owned by non-governmental organisations or by a relatively small number of shareholders which does not offer or trade its company stock (shares) to the general public on the stock market.

A private company is ideal for smaller businesses that do not have large capital requirements and want to avoid regulations with regard to disclosure that applies to public companies. A private company may be incorporated with only one member and may not have more than fifty members. After a number of years, if a company has grown significantly and is profitable, or has promising prospects, there is often an initial public offering which converts the private company into a public company or an acquisition of a company by public company.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 127 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

The following are the typical characteristics

- There are between one and 50 shareholders
- The directors' approval may be required before the shares are sold
- Shares cannot be offered for sale to the general public
- It is common that the income support recipient and their partner are the only shareholders and directors of the company

PUBLIC COMPANY



A public company can have any number of shareholders and the shares can be freely traded, and for this reason, quarterly reports and annual financial statements have to be lodged with CIPC, where they become available for public inspection. These are the type of companies which are usually listed on the JSE (Johannesburg Stock Exchange).

LEGAL REGISTRATIONS FOR NEW VENTURES

Listed below is a detailed summary of the bureaucratic and legal hurdles an entrepreneur must overcome in order to incorporate and register a new firm, along with their associated time and set-up costs.

REGISTRATION WITH SARS FOR INCOME TAX, VAT, AND EMPLOYEE WITHHOLDING TAX (PAYE AND SITE).



Business with annual taxable income of more than ZAR 1,000,000 needs to register for VAT. The application for the registration of VAT is done on a VAT101 form. Cipro and the South African Revenue Service are linked electronically. Once a company is incorporated the relevant South African Revenue Service office is advised and an income tax number is allocated to such entity.

The company also has to register as an employer by means of "EMP 101e" form that caters for the necessary registration of all the withholding taxes applicable to the taxpayer including PAYE (Pay as You Earn. i.e.: employee tax) or SITE (inclusive of employee tax), UIF (Unemployment Insurance Fund) . SITE always is payable on the "first" R60 000, whereafter PAYE is payable on the excess (e.g. amount after R60 000. The Employer is compelled to register as employer in terms of paragraph 15 of the 4th schedule to the Income Tax Act. If an employee earns less than ZAR60 000 SITE is payable and if the employee earns more than ZAR 100,000 PAYE is payable. No separate registration required for SITE. Any employer who is liable to register with SARS for the payment of employees' tax is also required to register with SARS for purposes of paying unemployment insurance fund contributions. An employer does not have discretion whether to register with SARS or the Unemployment Insurance Commissioner (Department of Labour), as the liability of the employer to register and pay employees' tax and SDL will determine with whom an employer must be registered for UIF purposes.

With regards to VAT applications, SARS assesses the viability of the business as part of the registration process. The company must appoint a public officer in terms of section 101 of the Income Tax Act and must advise the relevant SARS office of the full name, residential and postal address of such person. This person must be a resident of South Africa. SARS also carries out a physical inspection of the business premises and performs an interview with the public

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 128 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

officer (or the tax practitioner authorised to carry out the registration process) before the VAT registration application is processed.

REGISTER WITH THE DEPARTMENT OF LABOUR



All companies - and sole proprietorships that have one or more full-time employees - need to register with the Department of Labour. This is mandatory in terms of the Compensation for Occupational Injuries and Diseases Act (COIDA). The Act replaced the previous Workmen's Compensation Act in 1993, and provides for employees who are injured or killed at work, or who contract a disease directly as a result of their work. It also protects employers from personal liability in these instances.

Here is how to register in terms of COIDA:

- complete and submit the correct forms
- once your registration has been completed, you will be sent the following additional forms to complete from time to time:
 - WAs8, which must be filed within 30 days of your financial year-end, and which must balance with your COIDA account
 - WAs6a, which details the assessment of the Commissioner for premiums payable, less any amounts that may have been paid in advance
 - WG30, WAs2 and WAc1(E), which are claims forms that must be kept in a safe place for use if and when necessary

REGISTER WITH THE UNEMPLOYMENT INSURANCE FUND (UIF)



All employers must register their employees for unemployment insurance, which can be done on Form UF8 at any SARS office, or online. They should also obtain copies of Form UI-19, which is required to register new employees when they join the company. You will receive a copy of Form U133 to confirm your registration. Thereafter, UIF payments must be made monthly, either directly to the UIF or together with PAYE and the Skills Development Levy (if applicable).

REGISTER WITH THE REGIONAL SERVICE COUNCIL

With the exception of specialised enterprises, such as liquor stores and arms dealers, businesses no longer require a licence to trade in South Africa. They are, however, currently required to register with the Regional Services Council (RSC) in the area in which they operate.

Once registered, the business is charged services levies based on its total bill for salaries and wages, as well as on gross sales. Returns and payments must be lodged on a monthly or annual basis as determined by the RSC.

To register with your local RSC:

- Complete and submit Form RSC1 at the offices of your local Regional Service Council. These vary from council to council, so can't be made available for download online
- You will receive confirmation of registration within approximately one month on a Form RSC2. This form will contain a reference number which should be quoted in all dealings with the RSC
- Subject to prescribed payment terms, the RSC will send you a services account on Form RSC4 either monthly or annually

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 129 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

FUNDAMENTAL BUSINESS PLANS

A business plan is a fundamental document for businesses. Generally, a start-up business plan will be useful for a new business in terms of looking ahead and preparing for success. It essentially helps in terms of developing a strategy for your business. All business plans, both for start-up businesses and those for existing entities, will need to include such components as a description of the company and what it does, the products it manufactures or the services it provides, the outlook for the market, company forecasts, a detailed financial analysis of the company, and resumes of its key personnel.

BUSINESS DESCRIPTION

- The name of your business
- Business registration number
- The legal form of your business
- Physical address of your business and contact details
- The owners of the business
- Interest or percentage of ownership the owners possess
- Key financial highlights in the case of existing businesses

THE MANAGEMENT AND ORGANISATION

- The organisational structure
- The key management of the business as well as information on their roles and responsibilities
- Information on other employees – any agreements, contracts and other factors
- Professional support – for example, consultants and advisers
- Board of directors (for companies)

MARKET AND COMPETITORS

- Statistics about your particular market and the industry your business falls under
- Data pertaining to both direct and indirect competitors
- Data and information resulting from market and customer surveys

THE PRODUCTS OR SERVICE OFFERINGS

- Information on the products or services
- Any contracts
- Purchase orders
- Intellectual property information – patents, trademarks, license
- Operational plan
- Research and development plans
- Regulatory related approval
- Industry standards

MARKETING AND SALES

- Marketing plan
- Marketing brochures, business cards, website and other material

FINANCIAL INFORMATION

- Past financial information – Income statement, balance sheet, cash flow statement, management accounts (ideally three to five years)

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 130 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

- Assumptions for financial projections
- Funding requirements for the future

PURPOSE OF A BUSINESS PLAN

The following are some of the main reasons why business plans are written in business;

To test the feasibility of your business idea.

Writing a business plan is the best way to test whether or not an idea for starting a business is feasible, other than going out and doing it. In this sense, the business plan is your safety net; writing a business plan can save you a great deal of time and money if working through the business plan reveals that your business idea is weak. Often, an idea for starting a business is discarded at the marketing analysis or competitive analysis stage, freeing you to move on to a new (and better) idea.

To give your new business the best possible chance of success.

Writing a business plan will ensure that you pay attention to both the broad operational and financial objectives of your new business and the details, such as budgeting and market planning. Taking the time to work through the process of writing a business plan will make for a smoother start-up period and fewer unforeseen problems as your business becomes established.

To secure funding, such as bank loans.

You're going to need both operating and start-up capital to start a new business and you have no hope of getting any money from established financial institutions such as banks without a well developed business plan. And established businesses often need money, too, to do things such as buy new equipment or property, or because of market downturns. Having a business plan gives you a much better chance of getting the money you need to keep operating or to expand.

To make business planning manageable and effective.

A business plan is essential if you're thinking of starting a business, but it's also an important tool for established businesses. Viable businesses are dynamic; they change and grow. The company's original business plan needs to be revised as new goals are set. Reviewing the business plan can also help you see what goals have been accomplished, what changes need to be made, or what new directions your company's growth should take.

To attract investors.

Whether you want to shop your business to venture capitalists, or attract angel investors, you need to have a solid business plan. A presentation may pique their interest, but they'll need a well written document they can take away and study before they'll be prepared to make any investment commitment.

In summary, a business plan serves the following purposes;

- It is road map for your business
- It helps with the proper allocation of resources
- It helps address future challenges and opportunities
- It forms part of a key component for raising funds
- The business plan articulates specific goals and objectives
- It identifies opportunities that can be capitalised
- It guides the implementation of capacity building strategies
- It establishes performance guidelines and promotes efficiency

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 131 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

TYPES OF BUSINESS PLAN

The following are some of the types of business plans;

1. Start-up business plan

The most standard business plan is a start-up plan, which defines the steps for a new business. It covers standard topics including the company, product or service, market, forecasts, strategy, implementation milestones, management team, and financial analysis. The financial analysis includes projected sales, profit and loss, balance sheet, cash flow, and probably a few other tables. The plan starts with an executive summary and ends with appendices showing monthly projections for the first year.

2. Internal plans

Internal plans are not intended for outside investors, banks, or other third parties. They might not include detailed description of company or management team. They may or may not include detailed financial projections that become forecasts and budgets. They may cover main points as bullet points in slides (such as PowerPoint slides) rather than detailed texts.

3. Operations plan

An operations plan is normally an internal plan, and it might also be called an internal plan or an annual plan. It would normally be more detailed on specific implementation milestones, dates, deadlines, and responsibilities of teams and managers.

4. Strategic plan

A strategic plan is usually also an internal plan, but it focuses more on high-level options and setting main priorities than on the detailed dates and specific responsibilities. Like most internal plans, it wouldn't include descriptions of the company or the management team. It might also leave out some of the detailed financial projections. It might be more bullet points and slides than text.

5. Growth or expansion plan

A growth plan or expansion plan or new product plan will sometimes focus on a specific area of business, or a subset of the business. These plans could be internal plans or not, depending on whether or not they are being linked to loan applications or new investment. For example, an expansion plan requiring new investment would include full company descriptions and background on the management team, as much as a start-up plan for investors. Loan applications will require this much detail as well. However, an internal plan, used to set the steps for growth or expansion funded internally, might skip these descriptions. It might not include detailed financial projections for the whole company, but it should at least include detailed forecasts of sales and expenses for the new venture.

6. Feasibility plan

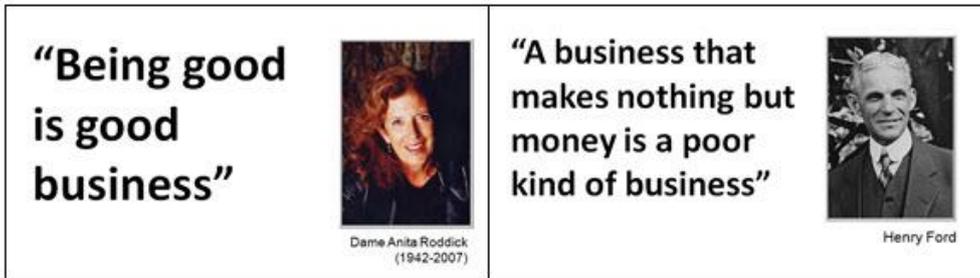
A feasibility plan is a very simple start-up plan that includes a summary, mission statement, keys to success, basic market analysis, and preliminary analysis of costs, pricing, and probable expenses. This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is a business worth pursuing.

CODE OF ETHICS IN BUSINESS PLANS

Ethics are moral guidelines which govern good behaviour. So behaving ethically is doing what is morally right. Behaving ethically in business is widely regarded as good business practice.

Remember the following;

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 132 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4



Ethical principles and standards in business:

- Define acceptable conduct in business
- Should underpin how management make decisions

The following must be noted when preparing a business plan;

Support assumptions with facts

Within a business plan one will have a number of assumptions, not just related to the financial forecasts. It is important to support any assumptions with facts.

Avoid unsubstantiated claims

For example, describing your target market as ‘increasing substantially year on year’ means very little. If such a claim is made, back it up with hard facts and evidence. For example, ‘the market has increased from R4m to R10m over the last two years. Instead say according to a research done by Walter Chitsike (UNISA), growth will continue at a rate of 10% per annum for the foreseeable future.

Always tell the truth

Integrity and reputation of an entrepreneur should never be placed in any doubt. That is, never add information that is untrue in your business plan in order to make your venture look profitable or sustainable. Remember when investors and customers deal with a new venture they check integrity of the organisation. So be honest.

Avoid greed and envy

What happens to greedy people? Their insatiable craving for more eventually distorts their sense of reality, fair play, and the reason they are in business. Greedy people do not function well in a team environment. Business is not a comfortable place to the greedy as it involves trust and giving. If greed rules an entrepreneur, lasting relationships with suppliers and employees will be difficult to maintain. A fair business deal is when all parties benefit, not just the most demanding.

MODULE 4 - PART 2		
	COMPILE AN ORGANISATION STRUCTURE FOR ONE'S OWN BUSINESS TO DETERMINE HOW A BUSINESS PLAN CAN BEST BE INTEGRATED	SO 2
	A business organogram is drawn up for own business.	SO 2 AC 1
	The broad functions required to effectively complete business activities are described according to overall business goals.	SO 2 AC 2
	Lines of authority and responsibility are designated in relation to organogram.	SO 2 AC 3
	Any relevant human resources needs are determined accordingly.	SO 2 AC 4

	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 133 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

INTRODUCTION

In order to convince the targeted audience, a business plan must show the organisation of human resources in the venture. According to Chester Barnard, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, an entrepreneur always has to organize in order to get results.

The best way to show the organisation of human resources in a new venture is through an organisational structure.

DEFINITION



Organizational structure is a network of relationships in which the work is divided into units and departments.

BENEFITS OF AN ORGANISATIONAL STRUCTURE

The following are the key benefits of an organisational structure;

Well defined jobs - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helpful in defining the jobs properly which clarifies the role of every person.

Clarifies authority - Organizational structure helps in clarifying the role positions of every individual in the venture.

Effective administration - The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

Sense of security - Organizational structure clarifies the job positions. The roles assigned to every employee is clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

CREATING AN ORGANISATIONAL STRUCTURE

Basically the key roles to be filled or shown in the organisational structure of a new venture are:

- Finance
- Sales and marketing
- Production
- Information Technology (IT)
- Human Resources (HR)

These can be separated (e.g. sales, marketing) or combined (e.g. Production + IT to make Technical), but these are the key roles in an organisational structure.

Looking at these roles, perhaps the HR role stands out as the least necessary in a small organisation. However, even in a two-person organisation there are matters to be dealt with: salary, dividends, use of external contractors for different roles.

In a limited company these roles would suffixed with director; e.g. Finance director, Sales and marketing director, etc. Above all these, but probably fulfilling one or more director role in the organisational structure, is the Managing

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 134 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

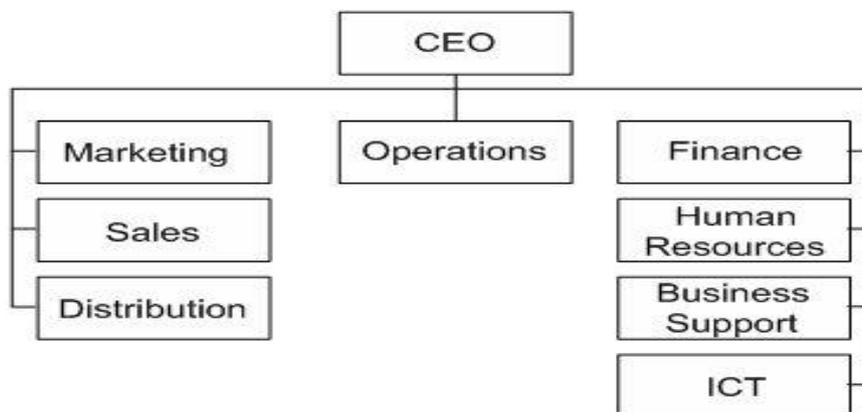
Director. Managing directors may also be called Chief Executive or Chief Executive Officer (the latter terms are more common at public limited companies).

The Managing Director’s role is to develop and implement the strategic plan for the company. This includes the day-to-day running of the company and the business plan for the long-term well-being of the business. The MD and the rest of the directors make up the Board of Directors. The MD is accountable to the Board and the company shareholders.

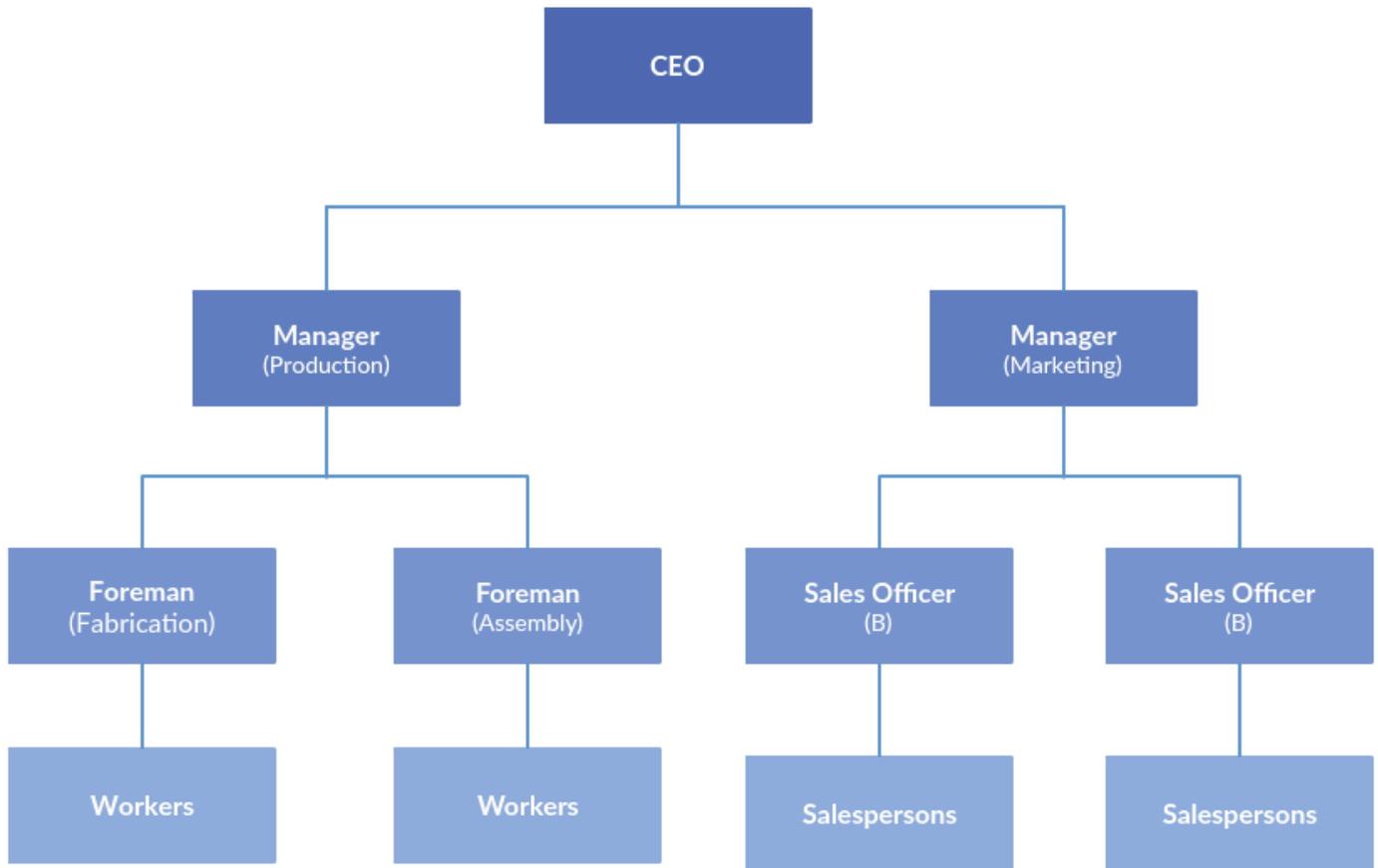
ORGANISATIONAL CHART/ ORGANOGRAM

An organizational chart/organogram is a pictorial representation of a company's structure and reporting relationships. This chart can provide a great deal of information and may help organizational members understand the overall structure of the organization and its strategy. This entry describes how organizational charts are constructed, including the software that can be used to create them; what information the organizational chart provides; the benefits of making the chart available inside and outside of the organization; and the circumstances under which a chart is likely to change.

The diagram (next page) shows an example of an organisational chart that presents the organisation of a new venture. At the top is the CEO followed by departmental heads in marketing, operations and finance.



 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 135 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4



TYPES OF ORGANISATIONAL CHARTS

There are basically three types of organizational charts:

HIERARCHICAL

In hierarchical organization chart the organization is divided into different levels where the line of command follows downwards from the top level to the bottom or the lower level. This is the dominant mode of organization among large organizations; most corporations, governments, and organized religions are hierarchical organizations with different levels of management, power or authority. For example, the broad, top-level overview of the general organization of the Catholic Church consists of the Pope, then the Cardinals, then the Archbishops, and so on.

MATRIX

In matrix organizational chart the organization is divided in such a pattern that the same skilled people are pooled together in a group reporting to the respective manager of their group.

FLAT OR HORIZONTAL

In Flat organizational chart there are few or no levels. It may consist of only managers and the workers and this type of organizational charts are possible only in small or individual unit organizations.

CONSTRUCTING AN ORGANIZATIONAL CHART

All organizational charts have similar elements that allow them to be easily interpreted and understood by people inside and outside of the organization. Charts consist of shapes and lines that represent work units and their hierarchy.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 136 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

The basic building block of an organizational chart is the rectangle, which can represent a person or a work unit (e.g., a department).

- ✓ If the outline of the rectangle is dashed, this means that a position is open and must be filled, as with one of the manager positions.
- ✓ If a rectangle is divided, and two or more names are in it, this may indicate job sharing or that multiple people are responsible for the outcomes associated with this position.

The boxes may contain as much or as little information as the organization prefers. They may include a job title, an employee's name, an employee's department, or even information such as job tenure, education, or salary. Alternatively, a chart may be created without rectangles, with names or titles standing alone. This often is done to save space on the chart.

Rectangles on an organizational chart are linked with solid or dashed lines.

- ✓ A solid line indicates a formal, direct relationship and
- ✓ A dashed line indicates that one employee or department advises another or has some other sort of indirect relationship.
- ✓ When lines represent a tree structure when two or more rectangles are linked to another with multiple lines this indicates that several individuals or departments report to one supervisor.

Finally, a rectangle that is attached horizontally outside of the vertical hierarchy typically indicates an assistant or staff person.

LINES OF AUTHORITY AND RESPONSIBILITY

As highlighted earlier, authority and responsibility are shown on the organisational chart of an organisation.

Responsibility: Responsibility is the obligation to accomplish the goals related to the position and the organization. Managers, at no matter what level of the organization, typically have the same basic responsibilities when it comes to managing the work force: direct employees toward objectives, oversee the work effort of employees, deal with immediate problems, and report on the progress of work to their superiors.

Authority: Authority is seen as the legitimate right of a person to exercise influence or the legitimate right to make decisions, to carry out actions, and to direct others. For example, managers expect to have the authority to assign work, hire employees, or order merchandise and supplies.

On an organisational chart, the vertical and horizontal lines connecting the rectangles on an organizational chart indicate reporting relationships and chain of command. That is, they indicate which employees are directly responsible for the supervision of others and who has ultimate accountability for a group of employees.

MODULE 4 - PART 3		
	Identify resources and information required to complete own business plan.	SO 3
	Coaches/mentors are identified to assist in compiling business plan (where relevant).	SO 3 AC 1
	Information on the resources needed and procedures to be followed to achieve the plan is compiled in order to effectively execute business plan.	SO 3 AC 2
	The industry specific and legal requirements for own venture are identified and explained in terms of how they will affect the venture.	SO 3 AC 4
	All relevant information is gathered for the completion of the business plan.	SO 3 AC 5

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 137 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

INTRODUCTION

A common problem people encounter when writing their business plan is finding information about their business industry and competitive companies. Fortunately, in recent years the Internet has made information gathering simple and easy, but sometimes the best information is found much closer to home, with real people, in real time.

Along with using many online resources such as

- ✓ BizMiner Marketing Research (an inexpensive source),
- ✓ IBISWorld or Market Watch, take a look at other businesses similar to your own or to the business you want to start, as a very good first step.

If you're looking at starting a new business, you may well be starting one similar to one you already know. If you're doing a plan for an existing business, you are even more likely to know the business well. Even so, you can still learn a lot by looking at other similar businesses.

Look at existing, similar businesses. If you are planning a retail shoe store, for example, spend some time looking at existing retail shoe store businesses. Park across the street and count the customers that go into the store. Note how long they stay inside, and how many come out with boxes that look like purchased shoes. You can probably even count how many pairs of shoes each customer buys. Browse the store and look at prices. Look at several stores, including the discount shoe stores and department store shoe departments. Find a similar business in another place.

Find a similar business far enough away that you won't compete. For the shoe store example, you would identify shoe stores in similar towns in other states. Call the owner, explain your purpose truthfully, and ask about the business.

Scan local newspapers for people selling a similar business. Contact the broker and ask for as much information as possible. If you are thinking of creating a shoe store and you find one for sale, you should consider yourself a prospective buyer. Maybe buying the existing store is the best thing. Even if you don't buy, the information you gain will be very valuable. Why is the owner selling? Is there something wrong with the business? You can probably get detailed financial information.

Always shop the competition. If you're in the restaurant business, patronize your competition once a month, rotating through different restaurants. If you own a shoe store, shop your competition once a month, and visit different stores. It takes a little hard work but by using the Internet and doing some research at local businesses, you should be able to gather all the information necessary for your business plan.



It takes a little hard work but by using the Internet and doing some research at local businesses, you should be able to gather all the information necessary for your business plan. Information and resources must be collected and used in line with the procedure of writing a business plan.

STEPS IN WRITING A BUSINESS PLAN

The following are the key steps that one must follow when preparing a business plan for a new venture

1. AUDIENCE & FUNDING TYPE:

When writing a business plan, you must determine who will be reading it. This decision will shape the business plan. Do you plan to go for debt or equity financing? Each form of funding for your business has pros and cons. For instance, the venture capital market can be very time consuming and competitive. Do you have the time to write the business plan for investor funding and to network within the community?

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 138 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Writing a business plan for investors is 15-30 pages with in-depth analysis and full details of facts and figures to support assumptions of the market. Writing a business plan for the bank is 10-15 pages and focused with the bank's concern with risk. A venture plan presents the upside and potential return on investments, whereas a bank plan reduces the risks and sells the ability to repay the loan.

2. BUSINESS PLAN OUTLINE:

A business plan outline is the second most important starting point once you've pre-determined your audience. The business plan outline should be prepared before the actual research and writing of the business plan.

3. RESEARCH & INFORMATION COLLECTION:

Once you have made the decision of the type of funding your business requires, it is time for the research. Business plan research covers several key areas:

Insight from your experience working and observing the industry you will enter. This data will have to be backed but by the next two sources.

Published information from library, Internet, and paid database services will provide information on the market growth, overall industry perspective, and customer profiles.

Field research covers interviews with customers, suppliers, competitors, and industry experts. This provides the real insight behind all the published facts.

4. COLLECTION FILES:

The easiest way to go about collecting all your experiences, interviews, and research is to create files for each section of the business plan. These files can be: paper-based, computer files or set-up using business planning software. As you start the research and collection phase of planning, fill your files with notes and printouts.

5. GENERAL INDUSTRY OVERVIEW:

Begin the research process with an overview of the industry; uncovering industry and association reports. By having a general understanding of the industry, you will avoid embarrassment in contacting experts with basic questions. Begin the field research once you have a good grasp of the industry fundamentals and need answers to the hard-to-find information.

6. ANALYSIS:

Once the bulk of the data has been collected, the process of analysis begins. Look at building a competitive profile, contingency plan, risk assessment, etc.

7. FINANCIALS:

Start the financials when you have found some average industry ratios for your business. Work closely with your accountant to develop realistic projections. Being overly optimistic will raise eyebrows with your investors or banker.

8. EXECUTIVE SUMMARY:

Save the first section for last. When you have thoroughly, completed all sections of the business plan, write the summary. Highlight the key points and include the return on investment or loan payback requirements.

9. REVIEW & EDITING:

Remember, you only have one shot at making a good impression. A well-written business plan that opens doors and wins the money is a plan that has been revised and reviewed. Do not forget this important step. Ask others for feedback. Make certain to edit, proofread, proofread, and proofread.

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 139 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

ROLE OF COACHES AND MENTORS

Coaches and mentors can also be resourceful when an entrepreneur is preparing the business plan. Coaches and mentors play different but closely linked responsibility. Their main objective is to ensure that the new venture takes-off the ground and is successful. Therefore, their expert support during the development of the business plan will make their dream a reality.

Let's look at the difference between the two;

A mentor serves a very important role for you; they do indeed open doors and tell you where the landmines are. They check in with you from time to time, and you should check in with them. Seeking out a coach, however, is more important.

Your coach watches your progress and makes course corrections. The types of coaches you need may vary based on the particular challenges that you are facing. If you are managing your first major implementation, seek coaches who have been there, done that successfully. A coach needs to be tough, and you need to listen. A coach might be internal, external or someone you hire. Your coach may be a family member, a colleague from a professional organization or even your boss.

Finding a good coach who has the time for you, however, is difficult. You will both be giving up a great deal of time and shared goals in order to make the coaching role successful. In particular, finding a coach who has the time to work with you, who you trust enough to critique some of your actions and who you feel comfortable being open and honest with is the challenge.

INDUSTRY SPECIFIC AND LEGAL REQUIREMENTS IN A NEW VENTURE

Before starting a business, the legal environment of your establishment should be researched. There are many laws, rules, and regulations that must be followed to start and run your business. Almost every aspect of your business is under some form of legal ruling. Specific forms, licenses and other documentation must be filed with state and local government offices in order to begin. Without this documentation, you may be prevented from opening.

ASPECTS OF BUSINESS UNDER LEGAL GUIDELINES

Major aspects of business governed by business law can be divided into the following areas: legal structure, business name, trademarks and patents, licensing and permits, contracts and legal liability.

LEGAL STRUCTURE

What legal structure will your business take? This decision is of primary importance because laws governing many aspects of the business vary depending on its legal structure.

BUSINESS NAME

Even though a business name has no magic that will guarantee success, the name is nevertheless very important to a new business. As a small business prospers and grows, the public will begin to recognize and associate the name with the product or service.

LICENSES AND PERMITS

Several state and local licenses and permits are required for starting a new business. Before you even apply for a license, you must first find out the land use requirements, zoning requirements and detailed building code requirements for your type of business, and should do so before signing a rental, lease, or purchase agreement. Requirements may vary for each incorporated city in the county, and the county itself. For assistance call the appropriate number shown in the Resources chapter. Permits required for new businesses are different depending on the type of business.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 140 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

PRODUCT LIABILITY

Product Liability is a business' responsibility to ensure that the product it sells is safe for the public to use. It also covers warranties a business offers for its products.

Below is an example of legal requirements for a venture (selling and distributing liquor)

LEGAL REQUIREMENTS: LIQUOR SELLS AND DISTRIBUTION VENTURE

LIQUOR LICENSE

In South Africa anyone wishing to sell or distribute liquor is required by law to have a liquor licence. If liquor is sold without a licence it is considered as breaking the law and the police can close down a business and confiscate its assets.

RESPONSIBILITY

Social responsibility has become an important issue which has to be considered by new applicants. This means that there has to be serious commitment to black economic empowerment and a positive contribution has to be made in order to combat alcohol abuse. New licence holders will have to show how they intend to restrict or promote job creation, provide diversity of ownership, promote exports and deal with competition.

BY-LAWS

Apart from the requirement of a valid liquor licence to legally sell liquor in Johannesburg, there is legislation and municipal by-laws with which a business owner or manager must comply in order to operate legally. These differ from municipal area to municipal area. Failure to comply can and will result in fines, prosecution and/or the forced closure of the business.

ZONING

Liquor outlets can ONLY be run legally from a property if it is zoned for the type of liquor outlet being applied for. Zoning and consent information is not given over the phone. It can be obtained from the local municipality.

MODULE 4 - PART 4		
	COMPILE BUSINESS PLAN	SO 4
	The structure and layout of the business plan is designed to be compatible with the nature of own venture.	SO 4 AC 1
	Business and operational goals are identified and procedures for the effective implementation thereof are outlined in business plan.	SO 4 AC 2
	Marketing plans are included in business plan.	SO 4 AC 3
	Financial and cash flow plans are included in business plan.	SO 4 AC 4
	An outline of how business will operate and achieve marketing and financial objectives are included in business plan.	SO 4 AC 5
	A vision statement that represents the goals and objectives of the new venture is outlined and integrated into overall business activities.	SO 4 AC 6

INTRODUCTION

If you can't compile a business plan, you can't run anything more than a struggling little business. To compile a good business plan, you need to be able to think strategically, investigate and read the market, convince lots of people to give you information, understand financial statements, crystalise your ideas clearly, and communicate them to

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 141 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

others. To run a business successfully, you need all those skills, and more. When you learn how to write a business plan, you gain a lot of skills needed to run a business.

BUSINESS PLAN STRUCTURE

Your business plan is a working document. It is not meant to be written and then forgotten. You should review it regularly and if necessary change it to ensure your plan (and your business) stays focused on the objectives.

- ✓ Use a template to write your own business plan.
- ✓ Keep your sentences short and concise. Use bulleted lists to highlight key points.
- ✓ Break up your paragraphs with extra headings if necessary.

FRONT PAGE OF BUSINESS PLAN

1. BUSINESS PLAN TITLE (in caps)
2. Business Name
3. Business Address
4. Business Logo
5. Prepared by:
6. Date:

TABLE OF CONTENTS

1. Business Overview
2. Products/Services
3. Market Analysis
4. Competition
5. Marketing Strategy
6. Business Structure & Management
7. Finances
8. Action Plan
9. Appendices

BUSINESS OVERVIEW

Include in your overview:

1. what your business does, your products or services
2. how long you have been operating
3. the industry you're in
4. point of difference over your competitors such as different location, cheaper price or better service and key benefits to your consumers
5. where the business will be in two-to-five years and how this will be achieved, e.g. your position financially and in the market place (you may need to complete this after you've worked through the other sections)

PRODUCTS/SERVICES

Describe what you are going to offer your customers, including:

1. Exactly what you are going to sell or provide and how it will be produced
2. Branding and packaging (where applicable)
3. Ongoing product or service development
4. Your product/service's features and how they compare to major competitors

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 142 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

- The price and how you have determined it (by considering production costs, labour and other overheads)
- Any dealings with supplier/s

PRODUCT

You need to understand your customers' needs in developing your products and services.

Before you put your product in the marketplace make sure you know the benefits you are offering to your customers. Is there a need for your product or service and what features will be valued by your customers? You should also have a plan on how you'll keep your product updated.

Once you've thought about your actual product or service you need to consider its branding and presentation.

BRANDING

A brand can be a name, symbol, design or any other feature unique to your business which sets you apart from your competitors. A brand can be improved by doing the following:

- Making sure your business has a reputation for excellent service, quality and reliability
- Being known for community involvement e.g. contributing to charities
- Being easily recognised, understood and consistent
- Keeping your customers informed and responding quickly to their needs
- Being honest and fair
- Your products and services are readily available to the customers
- All staff are knowledgeable about your product/service (There's no point having a really recognisable name and symbol if people associate it with poor service.)

PACKAGING AND PRESENTING YOUR PRODUCT/SERVICE

When considering ways to package and present your product or service always keep your target customer in mind. Try to gain feedback from the type of person you're trying to attract or at the very least, your family and staff members. You should be doing the following:

- make sure your company name and logo are clearly visible
- use colours and textures to encourage a positive emotion e.g. people associate yellow with sunshine and happiness
- look for ways to 'bundle' with complementary products or services, whether its your own or others e.g. guitar and guitar lessons, handbag and matching wallet
- consider the country and market you're selling to and if your packaging needs to be different based on language or cultural considerations e.g. in Egypt yellow traditionally means mourning

PLACE

Place refers to how the product or service gets to the customer. This includes the place where the product/service can be bought as well as the distribution channel.

LOCATION

Will you need premises of your own? Consider placing your product in other retail businesses or outlets.

DELIVERY

Depending on how often you deliver and to where, you will need to think about the different forms of transport.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 143 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Service level agreements with your distributors/clients.

Will you sell on a commission basis or offer replacements or repairs if something goes wrong.

DISPLAY PRESENTATION

Try to place and present your products where they can get the maximum exposure in window displays and shop floors.

ALTERNATIVE SELLING OPTIONS

Allow for customers to place an order for your product/service by ordering by phone, fax, online or through an agency.

MARKET ANALYSIS & STRATEGY

You spend so much time on marketing related matters -- customers, competitors, pricing, promotion and advertising that it is natural to assume you have little to learn.

However, every small business can benefit from doing market research to make sure they are on track. Use the business planning process as your opportunity to uncover data and question your marketing efforts. It will be time well spent.

MARKET RESEARCH

There are 2 kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles.

This type of information is available in public libraries, industry associations, chambers of commerce, vendors who sell to your industry, and government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your Chamber of Commerce has good information on the local area. Trade associations and trade publications often have excellent industry specific data.

Primary market research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus group interviews to learn about consumer preferences.

Professional market research can be very costly, but there are many books out that show small business owners how to do effective research by themselves.

The following is included in a Marketing Plan:

1. Facts about your industry
2. What is the total size of your market?
3. Do you know what percent share of the market you have? (This is important only if you are a major factor in the market)
4. Current demand in target market
5. Growth history

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 144 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

6. Trends in target market - growth trends, trends in consumer preferences, and trends in product development.
7. Growth potential and opportunity for a business of your size
8. What barriers to entry keep potential new competitors from flooding into your market?
9. High capital costs
10. High production costs
11. High marketing costs
12. Consumer acceptance/brand recognition
13. Training/skills
14. Unique technology/patents
15. Unions
16. Transport costs
17. Tariff barriers/quotas

How could the following affect your company?

- Change in technology
- Government regulations
- Changing economy
- Change in your industry

COMPETITION

List details about your competitors including:

1. Who and where they are
2. How you'll position your product or service against them
3. Your product/service features against theirs and what gives you a competitive edge
4. The benefit/s of your service/product to the consumer
5. Comparison of your pricing, promotion and distribution

MARKETING STRATEGY

Show how consumers will find out about your product/service including:

1. where, how and when you will promote your product/service such as shopping centre promotions, point of sale, viral marketing, billboards, loyalty schemes, etc
2. What type of printed materials you'll create
3. Your website or online presence
4. Details and cost of advertising including print, online, TV and radio
5. Product/service launch plans
6. How you will measure the success of your marketing strategy and various promotions
7. How pricing will encourage sales (e.g. selling in bulk)

BUSINESS STRUCTURE AND MANAGEMENT

Describe the ownership structure (such as sole trader, partnership, company) including:

1. Reasons for chosen structure
2. Any trademarks, patents, web addresses and other intellectual property you need to protect
3. Owners and any legal agreements you may need
4. Any key staff, their involvement, responsibilities and expected salaries

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 145 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

5. Your exit strategy

FINANCES

Summarise your financial situation including:

1. How you'll finance your business, e.g. business loan, personal funds, investment capital
2. costings, including your start-up costs, salary and fixed overheads
3. Financial projections including how much you will need to make to break even, when you are likely to make a profit and growth expectations

Include the following:

1. Estimated Cost Sheet
2. Profit Loss Statement
3. Cash Flow Worksheet
4. Breakeven Analysis

ESTABLISHMENT COSTS

List your one-time costs to determine your initial cash requirements to start your business. These costs are over and above the amount you will need to run your business on a daily basis.

Start-up Expenses	Amount	Description
Advertising		Promotion for opening your business
Banking fees		Account establishment, one-off loan costs, etc
Construction or re-modelling		Fitting out your workplace
Equipment		Buying machines, computers or software
Furniture and decorating		Paint, buying furniture, kitchen appliances, etc
Inventory and supplies		These will be ongoing, but the initial purchases should be part of your start-up costs
Premises costs		If leasing getting utilities switched on, bond, etc or purchase of premises if buying
Market research		Reports, magazines, running customer focus groups, sending out samples, etc
Printing		Brochures, business cards, letterhead, etc
Professional fees		Accountant, lawyer, etc
Recruitment costs		Advertising, any agency costs, etc
Registrations and licenses		Permits, business registrations, domain names, etc
Services		Cleaning, waste removal, security, etc
Signs		On the door, outside building, etc

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 146 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Uniforms and personal equipment		Specialised clothing and personal safety devices (hard hats, etc)
Website		Initial creation costs (doesn't include ongoing maintenance or hosting)
Other		
Total		

PROFIT

Whether you're starting up a new business or have been operating for some time, it's likely you will have some expectation of what profit you want to make. It may be you would like to make enough profit to pay yourself a liveable wage and have some left over to grow the business.

Profit is driven by a number of factors such as volume of sales, pricing and expenses etc. Being realistic about your pricing is extremely important; doing mark-up, margin and break even calculations will help set the right price to meet your profit expectations.

EXPENSES

Expenses have an impact on profits. Separating expenses into categories will help you to calculate your costs. It also helps you to see where they are rising or can be reduced. Expense categories include:

cost of goods sold: these are expenses relating directly to sales such as buying components, freight costs if goods are shipped to your business or wages if a staff member works directly on producing an item for sale

fixed expenses: expenses that stay the same when your sales increase such as rent, insurance, licensee fees, utilities etc.

variable expenses: expenses that go up or down based on the sales you make such as advertising, delivery charges and electricity if you're manufacturing

PROFIT AND LOSS STATEMENT

The profit and loss statement (also called an income statement) is a summary of a business's income and expenses over a set period. It is prepared at regular intervals (usually monthly and at financial year end) to show the results of operations for a given period.

It's a good idea to do a monthly profit and loss statement and analyse all income and expense categories. By doing it regularly you'll quickly get a good understanding of your income and costs. You'll see the areas that need more analysis, and be able to take action before small problems become big problems (e.g. costs are rising so you need to re-price your goods to keep making a profit).

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 147 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Use the template below to work out your profit and loss statement. Add as many categories into the spreadsheet as you need, particularly in the sales revenue and expenses area.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 148 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Profit & Loss Statement

How to use it: Give careful thought to the headings. Expand the sales income and expenses area if your business has distinct categories (e.g. a restaurant may have food sales and beverage sales listed separately and cost of sales for each also separated).

Month	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08
Income												
Sales												
Sale of goods/services												
Sundry Income (e.g. commission)												
Income variances												
Etc.												
Total Income	0											
Cost of Sales												
Cost of sales of goods/services												
Services												
Etc.												
Total Cost of Sales	0											
Gross Profit	0											
Expenses												
General & Administrative												
Bank charges												
Credit card commission												
Consultant fees												
Office Supplies												
License fees												
Business insurance												
Etc.												
Total General & Administrative	0											
Marketing & Promotional												
Advertising												
Promotion - General												
Promotion - Other												
Etc.												
Total Marketing & Promotional	0											
Operating Expenses												
Newspapers & magazines												
Laundry/dry cleaning												
Cleaning & cleaning products												
Sundry supplies												
Equipment hire												
Total Operating Expenses	0											
Employment Expenses												
Superannuation												
Workcover insurance												
Recruitment costs												
Total Employment Expenses	0											
Salary & Wages												
Permanent												
Casual												
Total Employment Expenses	0											
Occupancy Costs												
Electricity												
Telephones												
Property Insurance												
Rates												
Rent												
Repair & maintenance												
Waste removal												
Water												
Total Occupancy Costs	0											
Total Expenses	0											
Operating Profit	0											
Other Income												
Sale of business asset (e.g. sold old photocopier)												
Etc.												
Total Other Income	0											
Other Expenses												
Purchase of new business asset (e.g. bought new photocopier)												
Etc.												
Total Other Expenses	0											
Net Profit / (Loss)	0											

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 149 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

BALANCE SHEET

The balance sheet is a general snapshot of the financial health of a business on a given day, usually the end of a month or financial year.

Note: a profit and loss statement and cash flow statement is needed to do a balance sheet. Your accountant is probably the best person to prepare a balance sheet. Accounting packages also offer balance sheet reports.

What's in a balance sheet?

Your balance sheet lists in detail the assets the business owns, and what it owes others (its liabilities). The difference between the assets and liabilities is the net worth of the business. The net worth (also called the 'ownership equity') shows how much the business is worth to the owner or owners on the day the balance sheet was prepared.

ASSETS

Assets are the items of value the business owns. They include:

1. cash and stock on hand ('inventory')
2. land and buildings
3. equipment and machinery
4. furniture
5. patents and trademarks
6. money others owe the business ('debtors' or 'accounts receivable')

LIABILITIES

Liabilities are what the business owes others outside the business. They include:

1. Loans to buy capital assets, e.g. a new van
2. Overdrafts and other credit used to set up or run the business. This includes money used to buy stock, pay for wages and general expenses

OWNERSHIP EQUITY OR NET WORTH

This figure shows the value of the business after deducting what the business owes from what it owns, on the day the balance sheet is prepared. A negative figure means the business has debts it cannot pay.

BALANCE SHEET EQUATION

In summary, the balance sheet calculation is the value of all the assets of the business, less the value owed to those outside the business (liabilities). This figure equals what the business owner or owners can say the business is worth (equity).

E.g. Assets (R73,000) less Liabilities (R28,500) equals Equity (R44,500) Equity is also referred to as 'net worth', as the amount represents the net worth of the owner.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 150 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Month	Jan-08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08
Balance Sheet												
Prepare a balance sheet for the start of the business, six months later and then at the end of the first year. Draw the information from the Profit & Loss Statement and the Cash Flow Statement. A Balance Sheet brings together the results from the Profit & Loss Statement and the Cash Flow Statement. (Download it from the Financial Management section of the Business Victoria website at www.business.vic.gov.au .)												
How to use it: Fill in the figures below, expanding or reducing the assets, liabilities and shareholders equity areas.												
Current Assets												
Cash on hand												
Cheque Account:												
Petty Cash												
Etc.												
	0	0	0	0	0	0	0	0	0	0	0	0
Less												
Credit Card												
Etc.												
	0	0	0	0	0	0	0	0	0	0	0	0
Total C	0	0	0	0	0	0	0	0	0	0	0	0
Pre-payments												
General												
Rates												
Workcover												
Insurance												
Etc.												
	0	0	0	0	0	0	0	0	0	0	0	0
Total P	0	0	0	0	0	0	0	0	0	0	0	0
Inventory												
Bikes												
Parts												
Etc.												
	0	0	0	0	0	0	0	0	0	0	0	0
Total I	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Ass	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Assets												
Leasehold												
Buildings & improvements												
Furniture & Fixtures												
Etc.												
	0	0	0	0	0	0	0	0	0	0	0	0
Total Fixed Asset	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities												
Current Liabilities												
GST collected												
Overdraft												
Superannuation	4											
PAYG Withholding Payable												
Etc.												
	4	0	0	0	0	0	0	0	0	0	0	0
Less												
Credit cards												
GST paid	2											
Outstanding Debtors												
Etc.												
	2	0	0	0	0	0	0	0	0	0	0	0
Total C	2	0										
Long Term Liabilities												
Loan from owner												
Loan from bank												
Etc.												
	0	0	0	0	0	0	0	0	0	0	0	0
Total L	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	2	0										
Net Assets	-2	0										
Equity												

CASH FLOW STATEMENTS

A **cash flow statement** is a summary of money coming into and going out of the business for a set time period. It is prepared regularly (monthly and at the end of the financial year) to show where cash is coming from and what it is spent on.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 151 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

THINGS TO CHECK IN YOUR CASH FLOW STATEMENT

A cash flow statement is the most important tool the business has to check its financial health. Watch out for warning signals, as these are reliable indicators the business might fail. Warning signals in a cash flow statement are:

1. cash receipts are less than cash payments: you are running out of money
2. net operating cash flow is an outflow: cash flow is negative
3. net operating cash flow is less than profit after tax: you are spending more than you earn

ACTION PLAN

List the key tasks to be done, by whom and by when. Don't make them too detailed or they become unworkable. If you don't achieve a task, reschedule it, but if it's still not done by the second date, ask why. Is it too large? Is it unclear how it will help the business? Do we have the skills to do it? See example below.

Key Objectives	Task	By Whom	By When
Establishment			
	Register business and trademark	CP	15 Dec
	Research and purchase licences	FB	15 Dec
Finalise premises	- Rental agreement - Redecorate - Finalise office set up	TS	1 Feb
Legal			
Contracts	Consult with lawyer	FB	15 Dec
	Finalise contracts	FB	15 Jan
	Sign	TS/CP/TGJ/FB	1 Feb
Finance			
Determine fixed overheads	- Get costings - Meet with accountant	CP	15 Dec
Determine financial objectives	Identify amount to reduce loan	FB	1 Jan
Finalise cash flow plan	- Review P&L with managers - Complete cash flow plan	CP/TS/ FB	1 Jan
Finalise initial finance	Review finance documents	CP	1 March
Marketing			
Determine sales and marketing objectives	Identify sales in each quarter for first year	FB	1 Jan
Determine launch plan	Outline plan	TS	1 Feb
	Agreement and decision on implementation	TS/CP/TGJ/FB	1 March
Create a brochure	Agree concept	TGJ	15 March
	Approval of copy	TGJ/CP	30 April
	Print	TGJ	10 May
	Distribute brochure	TGJ	1 June

Appendix I: Competitor Analysis

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 152 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Use this table to list your competitors and how you compare against them. Think about how your business can improve on what they are offering.

Competitor	Date Established	Size	Market share (%)	Value to customers	Strengths	Weaknesses
Their name	When they started	Staff #s or turn-over	Estimated percentage of market share	Their unique value to customers, e.g. convenience, price, quality, service	Their main strengths	Their main weaknesses

Appendix II: Strategic SWOT Analysis

	Strengths	Weaknesses
	Advantages the business can exploit, e.g. good customer service innovative edge unique products	Areas of the business that need to be acted on, e.g. poor website not enough staff training
Opportunities	Strategies using strengths to address opportunities	Strategies to reverse weaknesses to address opportunities
Marketplace areas that can be built on, e.g. gaps in the market competitor closure	Ways to take advantage of business strengths, e.g. promoting good customer service to attract competitor's customers	Ways to ensure weaknesses don't hamper opportunities, e.g. hiring an experienced trainer to upskill staff provide better customer service, something no one is offering well at the moment
Threats	Strategies to counter threats with strengths	Strategies to fix vulnerabilities
External issues that could affect the success of the business, e.g. decrease in consumer demand sudden increase in costs	Ways to use business strengths so threats are not a problem, e.g. launching new product to revitalise consumer demand	Ways to address areas where the business may be vulnerable, e.g. utilising new technologies or social media to reach potential customers adapting green practices to minimise costs

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 153 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

STRUCTURE FOR MARKETING PLAN

The table below is a typical breakdown of what should be in a marketing plan.

1.	Business Overview
2.	Market Overview
2.1.	Customer Information
2.2.	Market Information
2.3.	Industry Information
2.4.	Product/Service Information
3.	Objectives
4.	Strategy
4.1.	Product
4.2.	Pricing
4.3.	Distribution
4.4.	Promotion
4.5.	Operational Plan
4.6.	Sales promotion
4.7.	Advertising
4.8.	Public relations
4.9.	Direct Marketing
4.10.	Online Marketing
5.	Budgets
6.	Action Plan
7.	Supporting Documentation

BUSINESS OVERVIEW

1. What does your business do and how long has it been operating?
2. What industry is it in?
3. What sets your business above your competitors' e.g. different location, cheaper price, and better service?
4. Give an outline of the products or services, who will buy them, where you feel the business will be in two to five years and how this will be achieved?

MARKET OVERVIEW

1. What is the main market/industry you operate in (or intend to operate in)?
2. List major changes you predict could happen in these markets/industry?
3. What impact will this have on your business success?
4. What are the reasons or aims of developing this marketing strategy?
5. What is the conclusion of this plan (to be completed after development)?

CUSTOMER INFORMATION

1. Describe the type of customers you want to reach?
2. What useful target demographic information is available to assist in reaching them?
3. Who are you the customers you want to reach?
4. Define main market/sector groups.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 154 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

5. What are their basic needs?
6. What stimulates their decision? (Cost, quality, environment, staff)

MARKET INFORMATION

1. Describe the demand for your product (the size of the market/industry)?
2. What are past trends and future predictions in the market/industry?
3. Who are your competitors or alternate providers?
4. How are they better, worse or different?
5. What is your market/industry share (if you have any)?

INDUSTRY INFORMATION

1. Describe any factors relating to the area/industry?
2. Is the industry growing?
3. Are there rules, regulations or restrictions that affect the industry?
4. Are there any conflicts or wants, between significant industry and other stakeholder groups?

PRODUCT/SERVICE INFORMATION

1. Describe the product or service and the major selling points and/or issues?
2. What is the single most important thing about your product/service?
3. How do people feel about the product now?
4. How do you want them to think/act/feel?
5. How is it currently promoted?

STRATEGY

Decide upon a series of strategic aims to meet your main objectives and goals in the areas of **Product, Pricing, Distribution and Promotion**. These all should all be measurable.

PRODUCT

Here you should describe your long-term product strategy in detail. If you are providing a service then you should consider your service(s) as your product(s).

What features and benefits do you offer?

Unique selling point (what makes your product/service different from everyone elses)?

Potential spin-off products or services?

PRICING

1. Detail your pricing strategy and how it lines up with your market e.g. are you charging 'luxury' goods and services prices or appealing to bargain hunters. Include details such as discounts, specials, package deals and moving old stock.
2. Check competitors' prices and policies to ensure you are being realistic with your policies.
3. Determine and detail the costs to produce your products or services, profit margin, what part of the pricing will be transparent to your customers. The prices you set will affect the number of sales you will make, who will purchase from you, what service is required and how much profit your business makes.
4. There are four factors (cost, demand, competition and image) to consider in choosing a selling price, but there is no clear method of actually determining the correct price for the item.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 155 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

DISTRIBUTION

Distributing your services/products is part of successful marketing. Describe how you will deliver your end product or service. Your customers will expect to find suitable quantities of your products when and where they need them, in appropriate places, and where they can compare your products with competitors.

PROMOTION

State how you currently promote and market your business now (or intend to).

Compare (where applicable) what your competitors do for promotion, noting what does and doesn't work for them as well as yourself. Regardless of how good your business is, if you don't promote it and tell people you exist, it's unlikely you will make many sales.

Promotion is more than selling and advertising your business. It's about attracting the right people to use and reuse your business. There are a number of techniques to use and they can be combined in various ways to create the most cost effective strategy for your needs.

Detail your promotion techniques into categories:

- Website
- Advertising
- Public Relations
- Promotions
- Branding
- Internet
- Public relations
- Advertising
- Promotion
- Packaging or personal selling
- Branding
- Direct marketing is often added to the marketing mix despite being part of advertising rather than marketing.

OPERATIONAL PLAN

Your marketing tactics should be based on understanding your strengths and weaknesses and the business environment you operate in.

Marketing tactics do not just involve how to make more sales - your tactics can be about how to create awareness, develop interest, motivate people to trial your business or get clients to return to you. Remember to make your tactics specific, measurable, attainable, realistic and tangible.

Make them high-level targets as they can be broken into action tasks in the Action Plan sections of the plan.

SALES PROMOTION

Sales promotion is a tactical move where you persuade people to do something they normally wouldn't.

1. Introducing new products through a trial
2. Staying competitive through discounts or added on benefits
3. Encouraging year round use of products to reduce seasonal slumps
4. Attracting new customers

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 156 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

5. Increasing the perceived need for your product
6. Increasing the number of items purchased in each transaction

ADVERTISING

Describe the message you want to send, who your target audience is, and the best way to deliver the message.

For instance, to reach a young audience with an 'our product is fun' message you're better off using cinema advertising instead of advertisements in a business magazine. Also outline how often you will repeat the advertising in the same and/or different media.

Specific target market approach for advertising is seen as the direction for marketing.

PUBLIC RELATIONS

Good public relations (PR) generates interest in your business in terms of enquiries and reminding existing clients of why they have used your business in the past.

PR is a long-term process, to do with developing an image and a reputation with your customers and the market as a whole. PR strategies can be focused to appeal to particular market segments and to send a particular message. All of your PR activities should then work towards promoting that message to the right people.

Describe how you would capitalise on 'newsworthy' events and opportunities. This includes using the press and radio to promote your message to your marketplace.

DIRECT MARKETING

Describe any potential forms of direct marketing you may consider to launch or promote your business?

One of the most common forms of direct marketing, especially for small business, is direct mail. A letter or flyer is mailed to potential customers in order to build awareness, increase sales, offer a trial or engage them to contact you.

ONLINE MARKETING

One the easiest ways of publicising your business, its products and/or its services is through the internet. Before you decide to set up a website, at the very least you need to decide what functions your website will have. Decide if you will do internet (online) sales, how much your budget is for setting it up, what message you want it to send, whether you will use the website to create business, or merely act as a reference point for your business, and how you'll make sure search engines (and customers) find it and your business.

BUDGETS

What is the size and source of budget allocation for this plan and how was it determined?

Item	Date Completion	Cost	Measure of Success
TOTAL			

ACTION PLAN

Prepare an Action Plan. This should be done in a table (see sample). The purpose of the Action Plan is to act as a checklist of what has to be done, when, and by whom.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 157 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

The tasks should not be too detailed or else they become unworkable. The plan should be regularly reviewed and evaluated roughly every three months so it can be adjusted as required. Information collected during evaluations can also be used in planning future marketing strategies and objectives. Include annual budgets in the one year or mini operational plan.

Action	March	April	May	June	July	Who
Development of website	21 st					John

SUPPORTING DOCUMENTATION

Attach copies of all documents supporting the claims or assumptions in the business plan:

- ✓ resumes of the owners/operators,
- ✓ certificates and references,
- ✓ licences and permits,
- ✓ market research details,
- ✓ marketing plan,
- ✓ product or service details,
- ✓ contractors or correspondence with suppliers and customers,
- ✓ extracts from publications
- ✓ maps,
- ✓ marketing or other material
- ✓ financial statements,
- ✓ project plans,
- ✓ production schedules,
- ✓ development plans

Attachment Number	Document Name
Attachment 1:	Second Year Balance Sheet
Attachment 2:	Year 2 P & L
Attachment 3:	Daily Cost of Doing Business (link to this within BV site)

CREATING A VISION STATEMENT

The Business Vision document captures very high-level objectives of a business modelling effort. It provides input to the venture-approval process. It communicates the fundamental "whys and what's" related to the venture and is a gauge against which all future decisions should be validated. The Business Vision document will be read by managers, funding authorities, business workers in business modelling, and developers in general.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 158 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

SAMPLE VISION STATEMENTS

Five years from now, Paula's will be rated as a "five star" restaurant in the Greater Toronto area by consistently providing the combination of perfectly prepared food and outstanding service that creates an extraordinary dining experience.

Five years from now, Computer Services Ltd. will have annual revenues of over one million by consistently providing timely, reasonably priced repair and instructional services.

Within the next five years, ZZZ Tours will become the premier eco-tour company in _____, increasing revenues to 1 million dollars in 2010 by becoming internationally known for the comfort and excitement of the whale-watching tours it offers.

Within the next five years, the Women's Centre will have helped create a safer, more harmonious community by helping women acquire the education, skills and resources necessary to build self-sufficient prosperous lives.

Within the next five years, Metromanage.com will become a leading provider of management software to North American small businesses by providing customizable, user-friendly software scaled to small business needs.

Five years from now, Tiny Tots Diaper Service will be the top grossing diaper service in the Lower Mainland by consistently providing a reliable, affordable service for Moms and Dads with small children.

MISSION STATEMENTS

A mission statement is a brief description of a company's fundamental purpose. A mission statement answers the question, "Why do we exist?" The mission statement articulates the company's purpose both for those in the organization and for the public.

HOW TO WRITE MISSION STATEMENTS:

DESCRIBE WHAT YOUR COMPANY DOES.

No need to be fancy here. Just say it, for the moment.

SAMPLE MISSION STATEMENTS

My company's purpose is to:

- ✓ Sell shoes
- ✓ Provide educational services
- ✓ Grow market vegetables

DESCRIBE HOW YOU DO IT

This is the tricky part, because we're not looking for a detailed description of your business's physical operations here; we're looking for a description of how your business operates generally. For most people, this means incorporating one or more of your core values into your description.

So take a moment to think of/list the core values that are important to you that are expressed in your business. Here are some sample values that might be important to you and the way you do business that you may want to use when you write a mission statement:

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 159 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

SAMPLE VALUES

- ✓ Provide high product quality
- ✓ Provide superior customer service
- ✓ Protect the quality of the environment
- ✓ Ensure equal access to resources
- ✓ Encourage innovation/creativity
- ✓ Practice sustainable development

It might be helpful to focus on your business's core competencies when you're considering which values are worthy of being a part of your mission statement. Once you've decided which core values are most important, add one (or two at the most) to your description of what your company does.

SAMPLE MISSION STATEMENTS

My company's purpose is to:

- ✓ Sell shoes of the highest quality
- ✓ Provide educational services that allow all children to experience learning success

Grow market vegetables using organic, sustainable farming practices

ADD WHY

When you write a mission statement, this is the part that describes your spark, or the passion behind your business.

Why does your business do what it does? For some people, it helps to think back on why they started their business in the first place.

Sample Mission Statements

My company's purpose is to:

- ✓ Sell shoes of the highest quality so every customer can find a pair of shoes they actually love to wear.
- ✓ Provide educational services that allow all children to experience learning success and become life-long earners and contributing members of our community.

Grow market vegetables using organic, sustainable farming practices to give people safe and healthy food choices.

When you're finished, have another look at your mission statement and see if it says what you want to say or if there's a better way of phrasing it. Be sure to change the phrase "my company's purpose" to the name of your company.

FOR EXAMPLE;

“My company purpose is to grow market vegetables using organic, sustainable farming practices to give people safe and healthy food choices”

Might be rephrased to produce this finished mission statement:

“At Earth's Bounty, we grow market vegetables in a way that's good for the earth and good for the table”.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 160 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

PUT YOUR MISSION STATEMENT TO WORK

Besides directing your business planning, you want your mission statement to be front and centre in the minds of everyone who works in your business and communicated to customers and/or clients. As the statement of why you exist, it's also the statement that explains to them why they would want to do business with you.

Some businesses go so far as to make their mission statements the themes of their advertising campaigns. If you do nothing else, you should make sure your mission statement is highly visible in your business premises, on your website if you have one, and on all your marketing materials.

A good mission statement isn't just a slogan, it's an operation manual and it can't provide the guidance it's intended to provide if people aren't familiar with it.

SHORT AND LONG TERM GOALS

Short-term goals are ones that you will achieve in the near future (e.g., in a day, within a week, or possibly within a few months).

Long-term goals are ones that you will achieve over a longer period of time (e.g., one semester, one year, five years, or twenty years).

Long-term goals often are our most meaningful and important goals. One problem, however, is that the achievement of these goals is usually far in the future. As a result, we often have trouble staying focused and maintaining a positive attitude toward reaching these goals. This is why it is helpful to set up what we call enabling goals.

An enabling goal is a special type of shorter-term goal. It is written to help us achieve a long-term goal. Enabling goals are like stepping stones that help us measure our progress toward reaching longer-term goals.

FOR EXAMPLE:

If one of your long-term goals is to get an electrical engineering degree in five years, you can set up enabling goals for each semester or quarter of college that supports this long-term goal. These goals could include attending classes, participating in professional development and internship opportunities at your school, maintaining a certain grade point average, and staying up-to-date in your readings and assignments.

DEFINE BUSINESS GOALS

Defining business goals is all about defining what needs to be achieved in order for the organization to reach the desired competitive position identified in the previous step. Be sure to focus on what will give the organization a competitive advantage, because only this is strategic

Guidelines to write business goals

Step 1

Review the five rules for setting business goals. In order to be effective, business goals must be specific, measurable, attainable, relevant and timely. This can best be remembered by using the acronym, SMART.

Step 2

Be specific. This means identifying a situation or a goal that can be easily understood. The best goals are linked to numbers, ratios or percentages. The more precise managers can be about the need, the better the goal.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 161 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Step 3

Formulate measurable goals. In order to improve anything, you must first be able to measure it. Set up a system to measure how goals will be monitored, measured and recorded.

Step 4

Ensure all goals are attainable. Another word for attainable is achievable. Setting goals beyond the competition may help to rally your team, but if the goal is unattainable, it will not work. This could have a negative effect on reaching your goals. Analyze the capabilities, strengths and weaknesses of your team before writing your goals.

Step 5

Write relevant goals. Most organizations are made of different functional areas. Writing the most effective goals means making those goals relevant to everyone in the organization. Each group must understand how that goal pertains to their work duties and responsibilities.

Step 6

Be timely. Give each of your goals a time limit. For instance, "Increase segment A sales by 5 percent in 12 months." This will provide an additional guideline for all team members and help to connect both goals and outcomes to the overall business calendar

PART ONE OF YOUR SMART GOAL

The first part of your SMART goal is to be SPECIFIC. The specific part of the goal answers "what has to be done". This is where you will write an observable action or behavior, using action verbs.

EXAMPLE:

Bad Example: "I want to write ehow articles."

Good example: "I want to write ehow articles about time management that have at least 6 steps per article and I want to write them for the next three weeks. I'll commit myself to writing at least 2 articles every workday until I reach completion."

PART TWO OF YOUR SMART GOAL

The second part of your SMART goal is to be MEASURABLE. This part of the goal answers "what will be the end result". This is where you will write the qualitative or quantitative terms for the goal such as total quantities, frequencies, error rates, etc.

EXAMPLE:

Bad example: "I want to be rich."

Good example: "I want to generate \$6,000 in passive income within 2 years from this date."

PART THREE OF YOUR SMART GOAL

The third part of the SMART goal is to make it ATTAINABLE. This is important because this is the reality check part of your goal. We are shooting for making an extra R50 a month here vs. making an extra R6, 000 a month for example. You have to consider your skills and resources available at this point to help you achieve your goal.

EXAMPLE:

Bad example: "I want to become a millionaire in 2 months."

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 162 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Good example: "I want to become a millionaire within 10 years by starting my own personal development company, giving speeches about personal development, and by creating a line of passive income products."

PART FIVE OF YOUR SMART GOAL

The fourth part of the SMART goal is to make it RELEVANT. The goal has to be relevant or consistent with your responsibilities, knowledge, skill set, and access.

EXAMPLE:

Bad example: "Within one year, I want to become an owner of a Vegas Casino and start a gambling cartel that weeds out the competition."

Good example: "By the end of the year, I want to create a website that sponsors personal development and accepts donations for my new company."

The fifth part of the SMART goal is to make it fit within a Time-Frame. SMART goals have specific target dates, milestones, deadlines, and frequencies. You need to attach a target date to your goals to help you set a tangible milestone for achieving your goal.

EXAMPLE:

"I want to write an ehow article."

Good example: "I want to write an ehow article about time management that has at least 6 steps and have it done by July 3rd."

SMART goals are created to answer the following questions as they pertain to your GOALS.

1. What action do I need to take to achieve the goal?
2. What extent is the action to be taken- How often, how much, when, with whom?
3. What is the result of the goal? What impact will this have in your life, career, job, task, etc.

DESCRIBE MEASURES

The purpose of this step is to define how the business goal will be measured. If you can find a quantitative measure to assess whether or not the business goal has been achieved, the business goal probably can be related to business activities. Try to quantify the expected outcome and record this in the change value and change kind properties of the business goal.

Because people often set more ambitious goals for themselves than others would, it is useful to discuss the upper and lower boundaries with those responsible for achieving the business goal. Employees need to feel that there is enough challenge in their work, but they also like to be able to give themselves an occasional pat on the back.

If the measure is qualitative or subjective, the business goal may need to be translated to more measurable, lower-level goals. In this case, the sub-goals are identified by considering how the higher-level goal will be measured. Achievement of some or all of the sub-goals should result in achievement of the higher-level goal.

If a business goal has been assigned a date by which it should be achieved, it is sufficiently concrete to be called an objective. When determining the timeframe within which the goal is to be achieved, be ambitious yet realistic.

STRUCTURE BUSINESS GOALS

The purpose of this step is to identify the relationships between higher level and lower level goals. This is the step that will actually produce a hierarchy of business goals. Some business goals are not concrete and measurable enough to allow you to find supporting business use cases. These are typically strategic goals that need to be defined at more concrete levels.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 163 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Business goals must be traced from higher level to lower level to produce a business-goal hierarchy. In the daily operations of any enterprise, there are minor localized conflicts between scoring in the short-term and building up long-term company value. A business-goal hierarchy derived from the Business Vision ensures that the right trade-offs are made between short-term financial goals and less immediate, yet more important, strategic goals.

	LEARNING ACTIVITY 4:	SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119670	
Instructions	Complete this task in the workbook provided. <ol style="list-style-type: none"> 1. Identify and explain any 5 legal registrations that an entrepreneur intending to start a construction company must comply with 2. Which type of business plan does one need when looking for money to finance a new venture? 3. Explain why it is important to be honest in a business plan aimed at attracting investors to a new venture 4. Identify important things that must be there before one starts to compile a business plan for a new venture 		
Method	Writing and Discussion with Mentor / Facilitator		
Resource	The web, your own research and your mentor / facilitator		

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 164 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

MODULE 5: ETHICS AND HR MANAGEMENT

MODULE 5: LEARNING OUTCOMES

REFLECT ON OWN VALUES AND BELIEF SYSTEMS AND HOW THEY INFLUENCE OWN BEHAVIOUR
The concepts of values, belief systems and ethics are explained with examples
The source(s) of values and belief systems are identified and an indication is given of how an individual's ethics and values affect behaviour
Ways in which an individual may change his/her belief or value system are identified with examples
REFLECT ON OWN VALUES AND BELIEF SYSTEMS AND HOW THEY INFLUENCE OWN BEHAVIOUR
Ways in which an individual's ethics impact on behaviour and interpersonal relationships are indicated with examples
The impact of personal ethics on the use of language is explained with examples
The importance of respecting confidentiality is explained in own context
Ways in which an individual can influence the behaviour of others are identified and an indication is given of how this can impact on ethical conduct
EXPLAIN HOW AN INDIVIDUAL CAN BEHAVE ETHICALLY IN A BUSINESS ENVIRONMENT
The concept of ethical business practice is explained with examples
Adherence to company policy and confidentiality are discussed in terms of ethical conduct
Ethical ways of receiving and giving gifts and favours in a business context are discussed with reference to an organisation's code of conduct
The importance of honesty in business dealings is explained with examples
The deliverables in own work situation are identified and an indication is given of the importance of productivity, accountability, attendance and delivery of work on time
DEMONSTRATE TECHNIQUES FOR DEALING WITH SITUATIONS WHERE OWN ETHICS AND VALUES CONFLICT WITH WORK
Methods for dealing with unethical behaviour are demonstrated for three different situations
Methods of dealing with unethical business conduct are demonstrated for three scenarios
Own values and beliefs are compared to company practice and an indication is given of how an employee can deal with a situation where there is a conflict of an ethical nature
Ways of dealing with instances where an employee's rights are undermined are demonstrated for three case studies
IDENTIFY AND PLAN FOR THE HUMAN RESOURCES NEEDS OF A NEW VENTURE
A basic skills survey is undertaken to determine the skills requirements of a new venture
The human resources capacity requirements in new venture are determined
The cost implications for employing staff are determined
A decision is taken regarding employment possibilities and a basic profile of each person to be employed is drawn up for interviewing purposes
IMPLEMENT THE HUMAN RESOURCES NEEDS OF A NEW VENTURE
Selection and recruitment of new staff is undertaken where relevant according to a basic recruitment and selection plan.
Employment contracts are drawn up
Job descriptions are compiled and new recruits/employees informed of their duties
Employees are managed on an ongoing basis and regular performance reviews are conducted to ensure that overall job criteria and development needs are being addressed
IDENTIFY AND COMPILE BASIC EMPLOYMENT POLICIES AND PROCEDURES
Disciplinary procedures are established
Grievance procedures are established
Recruitment and retrenchment procedures are implemented
Basic development plans to further develop the skills of employees are compiled and implemented
The role of employees, trade unions and employers in the workplace are understood
COMPLY WITH RELEVANT HUMAN RESOURCES LEGISLATION
Legislation that applies to employment is identified and explained
Employment conditions are interpreted and applied for own venture
Policies are implemented to ensure equity in new venture
Plans that relate to legislative matters are communicated to staff and relevant stakeholders

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 165 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 5: APPLY BASIC BUSINESS ETHICS IN A WORK ENVIRONMENT

UNIT STANDARDS IN THIS MODULE	113924	APPLY BASIC BUSINESS ETHICS IN A WORK ENVIRONMENT	
	REFLECT ON OWN VALUES AND BELIEF SYSTEMS AND HOW THEY INFLUENCE OWN BEHAVIOUR		SO 1
	DISCUSS HOW AN INDIVIDUAL'S ETHICS IMPACT ON THE PEOPLE AROUND HIM/HER.		SO 2
	EXPLAIN HOW AN INDIVIDUAL CAN BEHAVE ETHICALLY IN A BUSINESS ENVIRONMENT		SO 3
	DEMONSTRATE TECHNIQUES FOR DEALING WITH SITUATIONS WHERE OWN ETHICS AND VALUES CONFLICT WITH WORK		SO 4
	The concepts of values, belief systems and ethics are explained with examples.		SO 1 AC 1
	The source(s) of values and belief systems are identified and an indication is given of how an individual's ethics and values affect behaviour.		SO 1 AC 2
	Ways in which an individual may change his/her belief or value system are identified with examples.		SO 1 AC 3
	Ways in which an individual's ethics impact on behaviour and interpersonal relationships are indicated with examples.		SO 2 AC 1
	The impact of personal ethics on the use of language is explained with examples.		SO 2 AC 2
	The importance of respecting confidentiality is explained in own context.		SO 2 AC 3
	Ways in which an individual can influence the behaviour of others are identified and an indication is given of how this can impact on ethical conduct.		SO 2 AC 4
	The concept of ethical business practice is explained with examples.		SO 3 AC 1
	Adherence to company policy and confidentiality are discussed in terms of ethical conduct		SO 3 AC 2
	Ethical ways of receiving and giving gifts and favours in a business context are discussed with reference to an organisation's code of conduct.		SO 3 AC 3
	The importance of honesty in business dealings is explained with examples.		SO 3 AC 4
	The deliverables in own work situation are identified and an indication is given of the importance of productivity, accountability, attendance and delivery of work on time.		SO 3 AC 5
	Methods for dealing with unethical behaviour are demonstrated for three different situations.		SO 4 AC 1
	Methods of dealing with unethical business conduct are demonstrated for three scenarios.		SO 4 AC 2
Own values and beliefs are compared to company practice and an indication is given of how an employee can deal with a situation where there is a conflict of an ethical nature.		SO 4 AC 3	
Ways of dealing with instances where an employee's rights are undermined are demonstrated for three case studies.		SO 4 AC 4	

MODULE 5 - PART 1

	REFLECT ON OWN VALUES AND BELIEF SYSTEMS AND HOW THEY INFLUENCE OWN BEHAVIOUR	SO 1
	The concepts of values, belief systems and ethics are explained with examples.	SO 1 AC 1
	The source(s) of values and belief systems are identified and an indication is given of how an individual's ethics and values affect behaviour.	SO 1 AC 2
	Ways in which an individual may change his/her belief or value system are identified with examples.	SO 1 AC 3

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 166 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

INTRODUCTION

Each person has his own personal values. Values in what we believe, what we think is meaningful to us. Values may guide us, motivate us, and confirm us in our beliefs. We may handle values superficially or do take them by heart. Values may give our life sense and satisfaction. They will lead us to accomplishment and success. A common phrase that is repeated often is, “actions speak louder than words.” When considering the issue of personal values and ethics, we must focus primarily on the actions and choices we take rather than just on stated values. Our actions are the fruit of our lives that flow from our roots or our values and morals. Having clearly defined values and morals are what ultimately guides our decision making process in life.

DEFINITION OF KEY TERMS



Values

Our values are things that we deem important and can include concepts like equality, honesty, education, effort, perseverance, loyalty, faithfulness...etc. Our values are very much individual and they affect us at a deep subconscious level. Every decision we make is based on our values and either we use them as avoidance or for aspiration. Values can be split into core values and secondary values. Our core values help us to resolve any hidden conflicts, remove stresses and give us a firm direction in life. Ultimately they are important for helping you move towards solutions and away from problems. Our secondary values are the values that we bring to the fore to use when certain situations for arise. Eg You might make yourself suddenly more ‘available’ because you have a friend in need and this loyalty is something you value.

Beliefs

Our beliefs on the other hand are assumptions that we make about the world. They grow from what we see, hear, experience, read and think about and they apply not only how we see ourselves but also how we see other people. We tend not to question our beliefs because we are so certain about them and many of them stem from childhood. Our beliefs can be changed or turned round by the ‘re-programming’ of our subconscious. Like values our beliefs can be split into two different types empowering beliefs and limiting beliefs.

Empowering beliefs help us to confidently make changes. We use our empowering beliefs to make decisions in what can often be an ambiguous world. Limiting beliefs do the exact opposite and keep us rooted in particular positions. Our limiting beliefs are often based on assumptions that are not true. For example – saying you can’t learn a language. If you spend a lot of time saying that you can’t do something then for that time it will be true

These values, beliefs and attitudes each of us has about:

- How things should be in the world
- How people should act in certain circumstances
- How the important aspects of life are handled (e.g. Money, family, relationships, power, male and female roles).

UNDERSTANDING YOUR OWN VALUES AND BELIEFS

The clearer you can be about your values and beliefs, the happier and more effective you will be.

SOURCES OF VALUES AND BELIEFS

Values are formed and absorbed by us all as we develop from childhood and through adulthood.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 167 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

What influences your personal values?

Our personal values are mostly formed in our childhood and are greatly influenced by our parents and teachers. It is only in our childhood that we learn through our elders and also through observation of things around us about what is right and what is wrong. Later when we grow a bit older, perhaps when we are in our teens, our friends too have a great influence on us. At that particular time in our lives, our old values formed from childhood might even get replaced by some new ones.

When a person acquires adulthood, the kind of friends he chooses, the profession he opts for, the hobbies he pursues, the partner he seeks, all such important decisions are subconsciously based on some values and beliefs held by the person. Some examples are, all humans are equal or men are superior to women, a person makes his own life or a person cannot fight his destiny. Some of the universally accepted ones are honesty, integrity, commitment, care, respect for others and humanity.

How personal values are formed



- Family and Childhood messages
- Culture
- Society
- Religion
- Education
- Schooling
- Peer groups

The following are the key sources of professional values in the private sector.

1. Business executives

It is the executive managers who set the tone and direction of a company’s operations. As business leaders, they are also the ones to shape the ethical culture of their firms while business leaders across an entire industry maintain standards for ethical conduct. As a consequence, leaders of business define what ethics and other values mean for their industries, companies, and subordinates. Unfortunately, this means a lack of ethics among successful businessmen, and women, can undermine ethical standards for generations to come.

2. The organisation

The organization is a source of the professional values and ethics; it is where individuals within a business environment focus on group conduct. The organization has the code of ethics; these codes are a set of rules that guide individuals in decision-making and behaviour. There are normally 2 types of codes;

An aspirational code is a statement of ideals to which professionals should strive.

The educational code seeks to buttress understanding of its provisions with extensive commentary and interpretation.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 168 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

3. Mentors

The long term experience that is associated with long serving employees can be used as a source of professional ethics and values. Employees who have worked for companies for a long period have developed an exceptional mentoring in skills, ethics and moral practices. They are identified by the management and used to mentor the new worker force generation.

4. Role models (Top Achievers)

The company can use the employees who perform remarkably well in order to obtain tactics behind their stern performance and apply the ethics behind it to the other employees. Role models are driven by intrinsic personal characters which can be emulated by other to achieve better results. Role models may not necessarily have worked for a long period of time; however, they possess extraordinary characters that enable them to excel above the rest.

5. Individual personality

The foundation of professional values is usually formed with influence from the personality. An individual's values may come from previous work experiences, future objectives, or personal satisfaction. Previous work experience can be a great opportunity to identify what someone values through a trial and error type of exploration. Future objectives, or aspirations, develop professional values by creating goals for an individual to work toward, putting emphasis on what is trying to be achieved. Professional values stem from a person's personality; therefore, personal satisfaction plays a big role. When considering a career, one of the many decision-making factors will be based upon whether or not that particular career will satisfy that individual.

7. Other companies

The role companies have played in enhancing professional ethics and values can be applied by other companies. This is however a retrogressive approach, which is not based on creative and critical thinking as well as innovative strategic goals. Organizations should be head-thinkers in the corporate world. Business ethics applied by successful companies may provide a framework within, which other organizations can formulate their professional ethics and values

8. Professional bodies

The most common source of professional values are professional bodies. For example SAICA- chartered accounts, SAIPA- Public accountants among others. These bodies usually draw up a code of conduct that all members must abide by.

CHANGING VALUES AND BELIEF SYSTEM

By their very nature, your value-system tend to be more stable, it is your character in its many facets. But single values are not static and fixed. They can change.

- Personal values usually change when something big happens, or when you are consciously re-evaluating your life and make a decision, based on your experiences, to change your value hierarchy.
- Personal values can change when you do a retrospection of your life. If you're not happy with your value system and think it's leading you in the wrong direction, it may be time to look at these values and consider working toward changing them.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 169 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 5 - PART 2

	DISCUSS HOW AN INDIVIDUAL'S ETHICS IMPACT ON THE PEOPLE AROUND HIM/HER.	SO 2
	Ways in which an individual's ethics impact on behaviour and interpersonal relationships are indicated with examples.	SO 2 AC 1
	The impact of personal ethics on the use of language is explained with examples.	SO 2 AC 2
	The importance of respecting confidentiality is explained in own context.	SO 2 AC 3
	Ways in which an individual can influence the behaviour of others are identified and an indication is given of how this can impact on ethical conduct.	SO 2 AC 4

INTRODUCTION

In today's world, individuals can make a single decision that can have a profoundly positive or negative affect on their family, their employer, co-workers, a nation, and even on the entire world. The life we lead reflects the strength of a single trait: our personal character.

Personal ethics are different for each person but for the most part, people want to be known as a good person, someone who can be trusted, and he or she are concerned about his or her relationships and personal reputations.

Personal ethics is a category of philosophy that determines what an individual believes about morality and right and wrong. This is usually distinguished from business ethics or legal ethics.

These branches of ethics come from outside organizations or governments, not the individual's conscience. These branches of ethics occasionally overlap. Personal ethics can affect all areas of life, including family, finances and relationships.



Ethics: are the standards, beliefs or motivation for behaviours that are valued by you as an individual or valued by a group to which you may belong. Ethics are similar to morals and are "internal". However, the law is concerned with prescribing conduct and is "external" to individuals.

ETHICS AND IMPACT ON BEHAVIOUR & RELATIONSHIPS

Ethics are important for a number of reasons.

First, ethics are important because they give us a baseline for understanding the concepts of right and wrong in terms of our behaviour. Ethics help us to have a ready understanding of how to react to a certain situation long before that situation happens. Having a standard of ethics that governs us each day of our lives means we always know how we are to live no matter what. There is no second-guessing and no changing your ethics according to what you feel your ethics are at the moment.

For instance, if you believe that abortion is wrong and you feel strongly about that issue, it is one facet that defines you. The same is true if you believe that it is never acceptable to take another life. These beliefs give you a core of ethics that you can hold tight to and which gives you a sense of self.

Second, ethics are important because they act as our mediator when dealing or coming into contact with other people. If we have the wrong sense of ethics we will react to people in a negative manner. But if our ethics are built on the truth, as found in the Word of God, we will see people for who they are as children of God and we will learn to love them just as God loves them.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 170 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Remember, what you believe and feel constantly affects your opinions and feelings about others. If you believe that violence is wrong, then you likely won't get along well with professional fighters who really enjoy their craft. On the other hand, you would be more likely to get along with an ordained priest who believes in the ways of peace. If you're not careful, however, these beliefs can sometimes turn into prejudices that aren't based on fact.

Third, ethics are important because we pass them onto others. We have the ability to show others the correct way to act and behave by remaining ethical in the way we live, regardless of whether it involves our personal or business life.

IMPACT OF PERSONAL ETHICS ON THE USE OF LANGUAGE

Personal ethics influences the type of language that one uses. A society will make attempts to change its language to reflect its own cultural values and ethics. Certainly this reflects a belief that the language we use is important to influencing our audience.

The following are the types of language that can directly emanate from your personal ethics;

Formal language is often used in official public notices, business situations, and polite conversations with strangers. Formal language has stricter grammar rules and often uses more difficult vocabulary. For example,

He is going to the dance tonight. NOT He's going to the dance tonight. (no contractions)

George has received the letter. NOT George received the letter. (use the present perfect more often)

Informal language is all right for friends, co-workers, host family, or service staff (at a restaurant for example). Informal language has less strict grammar rules and often has shortened sentences. For example, Y'wanna go to the dance tonight? NOT Do you want to go to the dance tonight?

Abusive language is any hurtful language that can cause mental anguish

ETHICS AND CONFIDENTIALITY

One of the ethical requirements in any business is to respect confidentiality. Confidentiality pertains to the treatment of information that an individual has disclosed in a relationship of trust and with the expectation that it will not be divulged to others without permission in ways that are inconsistent with the understanding of the original disclosure.

Confidentiality is based on four basic principles:

- Respect for an individual's right to privacy
- Respect for human relationship in which personal information is shared
- Appreciation of the importance of confidentiality to both individuals and society
- Expectations that those who pledge to safeguard confidential information will do so

Confidential information and records include but are not limited to:

- payroll records and information regarding salary
- personnel records
- computer system passwords and security codes
- research results not yet published including manuscripts and correspondence
- budgetary, departmental or company planning information
- litigations pending or in process
- employee medical records including medical benefit claims
- Employee training records

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 171 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

DEALING WITH CONFIDENTIAL INFORMATION

- Do not disclose or transfer confidential information to anyone outside the organisation—and only within the organisation to those organisation employees with a need to know. The agreement may allow you to disclose to others if they have signed a similar nondisclosure agreement. Otherwise, you must get the prior written consent of the owner.
- Do not use the owner’s confidential information for any purpose other than the purpose authorized in the agreement.
- Only disclose the confidential information to those within the organisation who have a bonafide need-to-know, making sure they know it is confidential information that may not be further disclosed.
- Do not disclose any confidential information to an employee, unless that employee has signed a separate confidentiality agreement containing similar terms. Organisation employees are obligated by their employment agreements and state law to protect confidential information to which they have access; students are not.
- All confidential information must be marked “confidential.” If you receive any verbal or visual confidential information, the owner must confirm in writing that it is confidential, normally within 30 days of disclosure. If in question at time of receipt, ask the owner if it is “confidential.”
- If you copy any confidential information, make sure all copies retain the “confidential” label.
- Keep all confidential information in a secure place. Do not leave it lying on your desk top or anywhere it can be easily accessed by unauthorized persons. It is best to keep it in a locked drawer or file cabinet. You may be asked to return all confidential information, or destroy it at the option of the owner.
- If confidential information is also labelled or identified as subject to export control restrictions, do not disclose it to any Foreign Person
- Treat the information as confidential for the period of time specified in the agreement (normally 3 or 5 years).
- If there has been any unauthorized release of the confidential information, contact organisation legal counsel or your manager immediately. Some agreements will provide that there will not be any legal liability if such release is inadvertent and is reported immediately to the owner.

IMPORTANCE OF RESPECTING CONFIDENTIALITY

Respecting confidentiality enables one to;

- Respect individual's right to privacy
- Respect human relationship in which personal information is shared
- Gives people confidence especially those you are dealing with

THE INFLUENCE OF OTHERS ON OWN BEHAVIOUR

Your personal ethics can be influenced by others. For example, when confronted with an unethical issue, one can respond in the following manner;

- Exit is the most direct response: if you can't live with behaviour that does not meet your own ethical standards, leave. However, exit is not only a direct response, it is a final one, so the personal and organizational consequences must be considered. The most important personal consequences are the costs. Where do you go from there? What other options are available? How marketable are you? Can you afford the financial loss?
- Voice. This means expressing discomfort with and opposition to the observed unethical behaviour. To whom do you voice your objections? The obvious choice is your supervisor. But what if your supervisor condones the unethical behaviour, or worse, is its source? You may be jeopardizing your position, and maybe your

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 172 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

membership in the organization. A second choice is to go to senior management. This also has potential risk. The senior leadership may be condoning or even directing the unethical behaviour. This action may bring your loyalty into question. If so, your objections may be covered up or ignored, and you may end up being forced out of the organization.

- Exit and voice may be combined. An individual resigns in protest and goes public with his or her reasons for leaving. This leaves the individual vulnerable to the label of an employee who quit before being fired, but it also can lead to increased credibility as someone acting on conviction in spite of personal cost. Exit combined with voice is most effective if taken by someone at the upper levels of the organization. An organization can more easily ignore the "exit + voice" of a lower level employee than it can the resignation of a strategic leader, followed immediately by a press conference.
- Loyalty. The final response to unethical behaviour in an organization is loyalty. This is the alternative to exit. Instead of leaving, the individual remains and tries to change the organization from within. Loyalty thus discourages or delays exit. Loyalty also may discourage public voice, since being loyal to the organization means trying to solve problems from within without causing public embarrassment or damage. Loyalty can also encourage unethical behaviour, particularly in organizations which promote loyalty above all.

MODULE 5 - PART 3		
	EXPLAIN HOW AN INDIVIDUAL CAN BEHAVE ETHICALLY IN A BUSINESS ENVIRONMENT	SO 3
	The concept of ethical business practice is explained with examples.	SO 3 AC 1
	Adherence to company policy and confidentiality are discussed in terms of ethical conduct	SO 3 AC 2
	Ethical ways of receiving and giving gifts and favours in a business context are discussed with reference to an organisation`s code of conduct.	SO 3 AC 3
	The importance of honesty in business dealings is explained with examples.	SO 3 AC 4
	The deliverables in own work situation are identified and an indication is given of the importance of productivity, accountability, attendance and delivery of work on time.	SO 3 AC 5

INTRODUCTION

Ethical behaviour in an organization means “acting responsibly in gray areas where rules of right or wrong behaviour is ambiguous” (Stephen P. Robbins, Guidelines for Acting Ethically). Although many companies have strict rules of conduct to follow written in their employee handbooks, interpretations of these rules are determined by particularized situations. For example, a manager promoting his relative over a more highly qualified candidate for a position in the company might be legal and authorized but it may be construed as unethical. Another example could be choosing a vendor with similar complete prices only because he/she offered you tickets to a hockey game.

To comply with the changing business and legal environment organizations ensure ethical behaviour by issuing orders of compliance with severe consequences. For example, Microsoft takes the standard of business conduct very seriously and “consequences for such violations may include disciplinary action up to and including termination of employment”. (Enforcement) These are severe penalties with long lasting implications that require employees to take ethical rules and guidelines earnestly to secure a long lasting relationship with their organization.

Taking a personal responsibility for ethical behaviour is foremost a necessary requirement otherwise a prevalent attitude of mixed feelings will lead to misguided interpretations of what is right and wrong. The feeling of a group norm mentality that everyone else is doing it will prevail without analyzing the results and the true meaning of your

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 173 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

actions. For example, if you work in a company that does not recycle because the company manager has decided that is too expensive and time consuming to order recycling bins this may create an ethical dilemma for you.

You know because of your core beliefs and values that everyone must do their part to save the environment and not increase landfills with waste but at the same time doing so would go against the wishes of your supervisor and could jeopardize your job. You realize that if you do not follow the supervisor’s wishes to throw paper and plastics into the main trash bin even though everyone else in the company is doing it you could be labelled as a troublemaker and could be fired for insubordination. Even though it is still legal for the company to be socially irresponsible it goes against every grain of your core beliefs. You are faced with the decision to go along with the company’s policy or stand in the unemployment line. This situation would fall into the category of being legal but unethical.

CONCEPT OF ETHICAL BUSINESS PRACTICE

Ethical business practices are actions performed and attitudes held by a business and its employees that are considered professionally and morally responsible. These types of practices typically seek to promote the goals of the company without sacrificing the common good of its employees, customers, and even competitors. This often includes programs to ensure fair hiring and promotion within a company, treating customers fairly, and being honest in regard to programs to increase sales. Ethical practices are often initiated as a “top down” program, with corporate officers and the heads of the company acting as role models of behaviour for other employees.

For many companies, ethical business practices do not have to disrupt the pursuit of profits and professional growth. There is often an incorrect assumption that a business should do anything to make money and get ahead, but many companies have been successful while still acting in a way that is ethical and serves the common good as well as the corporate good. These sorts of business practices can begin with programs that donate money to charities or other needy organizations, and extend to how customers and employees are treated by a company.

Many ethical business practices are related to how employees within a company are hired, treated, and promoted. This often includes policies that discourage discrimination, attempt to avoid issues regarding fraternization between different levels of employees, and seek to find fair ways to settle conflict within the company. These practices also often include ensuring employees are given reasonable working conditions, are treated with respect, and have any investments toward retirement protected appropriately.

These practices often include treating customers with respect and honesty, not using personal information provided by customers in unscrupulous ways, and charging customers fairly for goods or services. When these types of practices are not observed or are broken, many customers show their dissatisfaction by no longer giving the company their business.

One of the best ways to implement and ensure the proper establishment of ethical business practices is as a “top down” program. Those at the top of a company are often seen as professional role models for other employees, and if they are acting in a way that is unethical, many lower level employees will follow suit. This can lead to additional costs to a company due to theft, reduced productivity, and potential lawsuits. There may also be negative consequences for the value of a publicly traded company if the officers in charge of the company are unethical.

COMPANY ETHICAL POLICY

Business organizations often develop several different policies, rules and guidelines for governing their operations. While home-based or sole proprietorship businesses usually require fewer policies, larger organizations use these guidelines to manage employee behaviour. A code of ethics is a common organizational policy used in business organizations. The code of ethics policy usually sets the minimum standards for business owners, managers and employees to follow when completing various business functions.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 174 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

In a small business, a code of ethics is usually based on the business owner’s personal morals or values. As the business grows and expands, the ethical values can be implemented into the business’ organizational mission or values statement. This statement helps provide companies with a compass to guide the organization through the business environment. Companies often refer to the mission or values statement when guidance is needed regarding questionable situations.

BENEFITS OF ETHICAL POLICY;

Improve Business Relationships

A code of ethics can help companies improve business relationships. Ethical values are often designed to provide guidance when working with other companies and the general public. These values dictate how businesses handle contract negotiations, customer questions and feedback or negative business situations.

Prohibit Inappropriate Behaviour

Many companies use a code of ethics to prohibit inappropriate employee behaviour. Inappropriate behaviour can include lying to managers or clients, engaging in fraud or embezzlement, failing to meet specific operational standards or other similar conduct. A code of ethics can help employees understand why these actions are inappropriate and the reasons companies expect better behavioral performance. Companies may also limit their legal liability from poor employee performance by using a code of ethics.

Hold Management Accountable

Owner, director or upper-level management accountability is an important function of a company’s code of conduct. These individuals are usually required to exhibit honesty, transparency and integrity in their daily roles. Not only do these actions set the company’s ethical tone, it also keeps individual owners and managers accountable for their actions. Allowing an unethical manager free rein in a business capacity can create difficult business situations that overextend the company’s resources.

ETHICAL WAYS OF GIVING AND RECEIVING GIFTS

Corporate gifts are commonplace, with organisations offering promotional packages and hospitality as a reward for their support and level of business. The practice of gift giving is widespread, although more prevalent and ‘acceptable’ in some industries than others. Christmas is the main season for items such as bottles of wine and spirits, boxes of chocolates, diaries, calculators, even briefcases to land on the desks of employees. There is no secrecy or deception involved and the gifts are given in order to consolidate a business relationship.

But where does this stop? Corporate and government policies on receipt of business gifts and hospitality exist because the system is potentially open to abuse. In the financial sector one day’s hospitality could include flying by helicopter and then on by private jet to another major event in Paris. It would be hard not to feel in debt to such a host. As the value of what is given increases, so an unspoken quid pro quo begins to creep in. Eventually the employee and their employer may become unacceptably compromised. Policies can be introduced to protect both employees and employers against relationships leading to bribery and corruption.

Definition of inappropriate business gifts

Anyone receiving or offering an undue reward, be it a holder of public office or a private employee or employer, which is designed to influence the recipient in carrying out their work and incline them to act contrary to the known rules of honesty and integrity, will be acting corruptly.

Where gift giving goes beyond the consolidation of a business relationship, with the main beneficiary being the organisation, and where it no longer follows the published guidelines (where these exist) it may become

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 175 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

‘corruption’. Gifts become bribes and backhanders. The ‘accepted’ foundation for gift giving will vary from organisation to organisation. The important point is that what is ‘acceptable’ and what is ‘not acceptable’ is clearly and widely communicated and published.

How to recognise a bribe-taker

Whether an individual is acting in an unethical manner may be difficult to determine in practice, but certain indications to look out for could be that the individual:

- lives, apparently beyond their means with a lavish lifestyle, and has no obvious explanation as to how they fund it
- has very close social contacts with suppliers
- is generally dismissive of rules, both for themselves and their staff
- tries to exert influence outside own area
- Often complains about the company which is the source of the bribes (as a means of providing ‘cover’ for themselves).

Contractual provisions concerning gifts

A number of implied terms are automatically imposed by the law into an employment contract. These implied terms include a duty of fidelity whereby all employees should serve their employer faithfully and honestly. This implied duty encompasses an obligation not to accept bribes and to account to the employer for ‘secret profits’. In addition to the implied duty, many employers include an express term in their employment contracts that any gifts (or gifts over a certain value) should be reported to an employee’s line manager before they are accepted.

Accepting a bribe may amount to a breach of an employee’s implied duty of fidelity and any express term in the contract. If a director accepts such bribes they will be in breach of their fiduciary duty to always act in the best interests of the company.

Making corporate gifts

The entitlement to make gifts and provide gratuities must be considered in relation to the activities of, and be in the interests of, the company. As long as a donation is incidental or beneficial to the company’s business it is permissible – charitable, educational and political donations given publicly out of corporate funds are usually fine. A gift to former directors or their dependants is also considered to be for the benefit of the company, but will usually require shareholder approval.

When should a gift be declared?

This will depend on the industry, culture and circumstances. What may seem perfectly normal in the financial sector may seem outrageous in manufacturing. It is helpful to give a guideline – a maximum value is one which is often mentioned. Consider also who the giver is – if it is a patient in a hospital for example, this would most likely be a method of thanks with no intention to corrupt. Timing is also important: if the gift was given prior to entry to hospital, there might be some idea of gaining a private room, or moving up a waiting list. Some organisations distinguish between ‘casual’ gifts (eg those given at Christmas) and gifts offered whilst business transactions are being made.

IMPORTANCE OF HONESTY IN BUSINESS DEALINGS

The value of honesty in business has obvious and subtle implications. Asking who benefits from business honesty can explain why virtue is also important. Examining the negative effects of dishonest business practices provides insight

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 176 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

into the importance of honesty. In fact, it is as helpful as looking at the benefits of business honesty. Doing what is ethical because it is the right thing to do is as essential as practicing ethical behaviour for the positive consequences.

NB

- ✓ To be dishonest is to deny reality, to be impatient, to look for shortcuts, to seek instant gratification, and eventually to be self-destructive.
- ✓ Our dishonesty can be with ourselves as well as with others. We can deny our limitations and our motives, setting us up for failure. With others, we seek to serve only our interests, with little regard to anyone else's welfare.

The following are benefits of honesty in business;

Dishonesty can prevent you from acting with objectivity and foresight. Dishonest thinking clouds your judgment and may lead to bad decisions. If you are not an amoral person, lying or stealing can create feelings of guilt leading to self-destructive behaviour. If you want to succeed, why bet against yourself? Dishonest business owners usually fail; after a while, they run out of customers, suppliers, creditors, and even employees.

Honest business practices inspire staff and customers with respect for your mission. Honest business practices build foundations of trust with colleagues, competitors, staff, customers and every other individual and entity. When employers deal honestly with their staff, employees are motivated to drive the business forward. Creditors and investors express confidence by funding company development and consumer confidence is positive.

IMPORTANCE OF PRODUCTIVITY, ACCOUNTABILITY, ATTENDANCE AND DELIVERY OF WORK

ATTENDANCE AT WORK

Being present on the job isn't being just physically present -- good attendance on the job means you're present and accountable. Poor attendance can ruin your employability, make your boss question your motivation and wreck your relationships with co-workers. Taking a day off anytime you don't feel like working might seem justified, particularly if your employee benefits include vacation and sick time. But spotty attendance is a reflection of your work ethic, and how seriously you take your job and the people with whom you work.

IMPORTANCE OF ATTENDING WORK

Teamwork and Collaboration

Whether you perform your work independently with your office door shut or you're standing next to a co-worker on an assembly line, your attendance affects the people with whom you work. If you're present for work, completing your tasks enables others to fulfill their tasks and responsibilities. For example, if you're a bookkeeper charged with tallying monthly receipts, the results of your work could determine whether the sales department needs to increase its client base. If you're consistently absent or off work, departments that depend on your numbers may have to delay their projects.

Your Professional Reputation

Even if your absences don't directly impact other employees' jobs, your professional reputation could suffer if your work record shows excessive absences. Employees with excellent attendance records generally are viewed by their colleagues as dependable, reliable workers.

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 177 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Accountability at work

As individuals, it is our capacity for self-accountability that keeps us functioning ethically and responsibly. While people may be accountable to others, they may not be as accountable to themselves when there is no one else to observe, monitor or hold them responsible.

Self-accountability is the cornerstone of ethics: It is who you are and what you do when no one is watching. When you have a well-developed sense of self-accountability, you are honest with yourself, and are answerable and responsible for what you say and do. You have the ability to look beyond the immediate moment to consider the consequences and know if you are willing to pay them. You have personal ethics.

Personal ethics is the precursor to professional ethics, since we are not likely to be more ethical in our professional life than in our personal life. As the saying goes, "No matter where you go, there you are." In other words, if we are dishonest in our personal life, we are likely to be dishonest in our business affairs. Likewise, if we cannot keep the secret of a friend, our client's confidentiality is also at risk.

MODULE 5 - PART 4		
	DEMONSTRATE TECHNIQUES FOR DEALING WITH SITUATIONS WHERE OWN ETHICS AND VALUES CONFLICT WITH WORK	SO 4
	Methods for dealing with unethical behaviour are demonstrated for three different situations.	SO 4 AC 1
	Methods of dealing with unethical business conduct are demonstrated for three scenarios.	SO 4 AC 2
	Own values and beliefs are compared to company practice and an indication is given of how an employee can deal with a situation where there is a conflict of an ethical nature.	SO 4 AC 3
	Ways of dealing with instances where an employee's rights are undermined are demonstrated for three case studies.	SO 4 AC 4

DEALING WITH UNETHICAL BEHAVIOURS

Let us look at some of the examples of unethical behaviours at work

Deliberate Deception

Deliberate deception in the workplace includes taking credit for work done by someone else, calling in sick in order to go to the beach, sabotaging the work of another person and, in sales, misrepresenting the product or service to get the sale. There are other examples of deliberate deception, but these show how damaging deception can be by using a person's trust to undermine his rights and security. In a workplace environment, this results in conflict and retaliation. In a sales function, it can result in lawsuits from deceived customers.

Violation of Conscience

Your sales manager calls you into his office and threatens to fire you unless you sell 50 large toasters. You know the large toasters are inferior products and have been selling the small toasters to your customers, instead. To keep your job, you must violate your conscience and recommend that your customers buy the large toasters. Your boss is engaging in unethical behaviour by forcing you to do something you know is wrong, and also risking the ire and potential loss of valuable customers to meet a product sales goal. He may be engaging in unethical conduct because top management has forced him by threatening his job, too. Coercion is also the basis for workplace sexual harassment and results in lawsuits. Unethical behaviour often causes more unethical behaviour.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 178 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Failure to Honor Commitments

Your boss promises you an extra day off if you rush out an important project by a certain date. You work late hours and finish the project before the deadline. Ready for your day off, you mention it to your boss who responds "No, we have too much work to do." Your boss engaged in unethical behaviour that has virtually guaranteed your future distrust and unwillingness to extend yourself to assist in department emergencies. In addition, you are likely to complain to your co-workers, causing them to distrust the promises of the boss and be unwilling to cooperate with his requests.

Unlawful Conduct

Padding an expense account with non-business expenses, raiding the supply cabinet to take home pens and notebooks and passing around unregistered or counterfeit software are examples of unlawful conduct in the workplace. The person who steals from the company by padding her expense account or taking supplies for personal use risks losing her job. If a company decides to overlook such theft on the basis of maintaining employee morale by not firing a popular employee, other employees will also steal so they can feel they are getting the same deal as their co-worker. Passing around counterfeit software, if discovered by the manufacturer, can cost the company through lawsuits and fines.

Disregard of Company Policy

An employer is understandably concerned about avoiding lawsuits and angry customers because those things negatively affect profitability. Most employers clearly state company policies against deception, coercion and illegal activities. They also strive to convey an image of trustworthiness to their customers and employees. Corporate trustworthiness helps retain customers and valued employees, and the loss of either also negatively affects company profitability. To disregard company policy is unethical because it has the potential to harm the company and other employees.

DEALING WITH UNETHICAL BEHAVIOUR

Make sure you are accurate

Never assume without proof that an unethical activity is going on. If you feel there may be some unethical behaviour, talk with the person. Double check that person's work. Make sure that you are not falsely accusing another person as that can be just as detrimental to the company as an unethical person may be. If you see behaviour such as staying after everyone else has left, whispered phone calls, or suspicious attitude, the person may be doing something unethical or may have other things going on. This is a judgment call so be sure to make a wise judgment.

Talk to a Superior

Whether you are a manager or a secretary, you have someone higher up to go to. If you suspect unethical behaviour of any sort, take it to your superior. Though, there may be nothing going on, a superior has the authority to find out and handle the situation.

Take Care of the Situation

Managers and superiors this is for you. If you have found out an employee is embezzling or performing any other unethical behaviour, you must take action immediately. Listen to all sides of a situation and look into getting proof that an unethical situation has taken place. If an unethical situation has occurred, for the sake of the company and to set a firm ground, drastic measures must be taken whether, immediate dismissal or suspension is required.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 179 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Unethical situations are challenging to handle, but with proper decision making skills, good judgment, and proper procedures, they can be handled in a way that will benefit the company.

UNETHICAL BUSINESS CONDUCT

Let us look at the following unethical business conducts;

1. TOYOTA IGNORED SAFETY CONCERNS TO SAVE MONEY



One of the most important aspects of any car company is safety - the concern for safety, how both employees and consumers are kept safe, and how issues are handled should a safety concern arise. Toyota made a huge and unethical failure in 2010 when they basically betrayed their promise as a company by ignoring safety concerns and delaying recall investigations just so they could save a little money.

After confronted with safety concerns regarding faulty breaks and sticking pedals in 2009, Toyota said that phasing in side airbags saved US\$124 million and 50,000 man hours, the cost of what it would have taken to recall and fix vehicles. They also stated that delaying a rule for tougher door locks saved them US\$11 million.

Despite being ordered to appear before Congress and provide an explanation for their unethical handling of the situation, Toyota didn't seem to think it was such a big deal.

"We can win back the customer's confidence; we are doing a better job," said senior Toyota executive and global managing director on the Toyota board in somewhat of an apology for their delayed recalls. But it seems that they were only sorry after they got caught - it was almost an entire two years before Toyota got called out on this unethical practice after a few deaths and even more complaints about their unsafe vehicles. Their failure to be honest got so bad that they were even accused in hundreds of rollover and death cases.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 180 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

2. HALLIBURTON



Infamous Halliburton is one of the world's largest oil corporations worldwide, operating in over 80 countries. They are also debatably one of the most evil companies in the entire world. Halliburton's unethical offenses are so many that they are best summarized in list form:

- ✓ Halliburton has been accused, multiple times, of engaging in business transactions with countries with which trades are prohibited by the US government.
- ✓ Halliburton has been accused of overbilling the US army for food and oil supplies during the Iraq war, 2003.
- ✓ Halliburton has been accused of covering up violations of corruption laws and misleading investigators by a former Halliburton employee who states that he received criminal notes on how to handle federal investigations in an email intended for another employee.
- ✓ Other ex-Halliburton employees accuse Halliburton of mismanaging waste in Iraq, citing a particular instance in which they abandoned an US\$85,000 truck due to a flat tire and charged approximately US\$100 for fifteen pounds of laundering services.
- ✓ A female employee sued Halliburton, claiming that she was gang-raped by fellow employees in Iraq.
- ✓ Halliburton faces multiple additional lawsuits for endangering employees, endangering National Guard members by unknowingly exposing them to hazardous chemicals, and overoil spills said to be the result of careless and unsafe practices.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 181 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

3. APPLE



Everyone wants an iPhone and no one really cares if it were made by tiny child slaves who are forced to work in dangerous conditions, inhaling cancerous vapours, for 10 hours a day, seven days a week. And that is why Apple continues to be so profitable.

But as beautiful as their products are, the production side of their business is a dark, horrific and unethical one. Apple manufacturer Foxconn is like hell on earth. Conditions at this plant are so miserable that “anti-suicide nets” had to be installed beneath the windows after a whopping 17 employees leapt to their deaths in protests of the horrific things they had to endure on a daily basis.

Living quarters are like tiny college dorms in a gigantic beehive type factory, each crammed with crappy bunk beds. Exhausting hours, humiliating discipline, unreasonable workloads, and pressure to reduce overtime resulting in lower pay checks are just some of the crappy conditions faced by thousands of Foxconn employees on a daily basis.

The controversy began in 2006 and is still happening today. And while Apple has made efforts to branch out and use some different manufacturers to produce their products, unethical Foxconn is still their go-to company.

Besides using Foxconn, Apple co-founder Steve Wozniak claimed that Apple was engaging in unethical tax practices by utilizing an Irish tax loophole to avoid paying billions in taxes on international sales.

DEALING WITH UNETHICAL BUSINESS CONDUCT

Whistle blowing

Someone blows the whistle when they tell their employer, a regulator, government official, the police or the media about an illegal or dangerous activity that they are aware of through their work.

Whistle blowing can inform those who need to know about fraud, corruption, potential environmental problems, health and safety risks, and deficiencies in the care of vulnerable people, cover-ups and many other problems. Often it is only through whistle blowing that this information comes to light and can be addressed before real damage is done. Whistle blowing is a crucial activity that can positively influence all of our lives.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 182 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

WHISTLE BLOWING VS COMPLAIN

When someone blows the whistle they are raising a concern about danger or illegality that affects others (e.g. members of the public, employers or customers). The person blowing the whistle is usually not directly, personally affected by the danger or illegality. Consequently, the whistleblower rarely has a personal interest in the outcome of any investigation into their concern - they are simply trying to alert others. For this reason, the whistleblower should not be expected to prove the malpractice. He or she is a messenger raising a concern so that others can address it

This is very different from a complaint. When someone complains, they are saying that they have personally been poorly treated. This poor treatment could involve a breach of their individual employment rights or bullying and the complainant is seeking redress or justice for themselves. The person making the complaint therefore has a vested interest in the outcome of the complaint and, for this reason, is expected to be able to prove their case.

For these reasons, it is not in anyone's interests if an organisation's whistle blowing policy is used to pursue a personal grievance. Most organisations have a grievance or complaints procedure and this will be more appropriate for making a complaint.

PROTECTION

In South Africa whistleblowers are protected by The Protected Disclosures Act which came into force in 2001. It encourages people to raise concerns about improprieties in the workplace. It helps to ensure that organisations respond by:

- ✓ addressing the message rather than the messenger; and
- ✓ Resisting the temptation to cover up serious malpractice or “improprieties”.

The Protected Disclosures Act applies to every employer and protects every employee. It has a wide definition of wrongdoing. If an employee is dismissed for making a protected disclosure defined in the Act then their dismissal is automatically deemed unfair. The Act provides for financial (and other) compensation to such employees.

By law employees are able to disclose impropriety to persons other than their employer, such as a lawyer, union official, ombudsman, regulator, the Public Protector or Auditor-General, a member of parliament, the media, or even the Cabinet of parliament.

DEALING WITH CONFLICTS BETWEEN PERSONAL AND COMPANY VALUES

One of the most troubling issues a worker may face is how to deal with a clash between personal values and business practice. When core beliefs conflict with company practices, an emotional reaction results.

REAL LIFE STORY OF CONFLICTS IN VALUES

I’ve lived this one; it had a lot to do with why I left Xerox after 20 great years. My role at the time was to negotiate to closure some of the largest contracts sold in America. Due to the size of the deals, this was a premium responsibility. I was good at it and thrived on the job’s complex challenges. The company paid me very well but I paid a personal tax for the cash. When others went home, I went to an airport. Plane after plane, hotel after hotel, dinner for one too many times to count. When I learned that my deals were being falsely booked by corporate accounting to accelerate profits, this premeditated breach of ethics broke my heart. Our corporate brand stood for professionalism and trust. Faced with the facts I had a difficult choice: to inhale and stay or exhale and go. So I left.

SOURCE: <http://oceanpalmer.com/2010/01/how-to-deal-with-conflicting-values/>

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 183 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Dealing with conflicts

If your personal values are in conflict with the overriding corporate culture, you have three options:

1. Change your values to match the corporate values. Remember, values are defined by how we act, not by what we aspire to. Going along to get along equates to accepting the values of the organization.
2. Leave the company. Few people entertain this as a short-term solution, and often stay in unhappy situations longer than one would expect.
3. Use organizational savvy to force the organization to act in accordance with your values. In other words, use the methods of power politics, financial forecasting, and alliance building to minimize or prevent actions that go against your values.

DEALING WITH UNDERMINED EMPLOYEE RIGHTS

The law gives every employee certain rights. These include;

- No worker may be retaliated against for demanding the rights set out in the Basic Conditions of Employment Act
- Senior managers, travelling sales staff, and those that work under 24 hours per month excluded, employees may not work for more than 12 hours of overtime each week
- An extended weekend may be arranged by way of a compressed work week of no more than 12 hours per day
- Any employee agreeing to work an 11pm to 6am shift must be debriefed on the health and safety risks, as well as compensated for regular medical examinations
- Employer may not take annual leave hours away from employees while they are enjoying special leave privileges such as maternity or sick leave
- Family responsibility leave may be taken on account of the birth or sickness of a child, or the death of a spouse, child, parent, grandparent, grandchild, or sibling
- Deductions may only be made from an employee's pay if they are agreed to in writing and are either a legal requirement, or part of a collective agreement, arbitration award or court order.
- Four weeks' notice must be provided employees of more than one year before termination of their labour contract
- Employees must be permitted to challenge their dismissals on the basis of established labour policy
- Collective agreements via the Bargaining Council may differ from the Act as long as worker protection is not reduced as regards health, safety, or family responsibilities
- In addition to investigating complaints, Labor Inspectors must notify employees of their rights and responsibilities

Dealing with undermined rights

Let us look at the following case studies and ascertain how the employee can handle the situation;

CASE 1:

Jerry is a petrol pump attendant who works for Speedy Garage. He comes to you with a problem. He is in charge of taking money from the other petrol pump attendants and of giving them their change. At the end of every day the money is cashed up by the cashier. On the days when the money is short this is noted in a book. At the end of the week all these shortages are counted up and the total amount is deducted from Jerry's wages. From the pay slips that he brings to you, it seems that every week deductions are made for shortages.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 184 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

How to assist the employee:

Find out whether the employee is covered by a Bargaining Council Agreement or Wage Determination, or other agreement about terms and conditions of employment. In this case Jerry is covered by the Bargaining Council Agreement for the motor industry. This agreement says that any deductions from wages are unlawful.

Contact the manager of the garage and ask him or her for the reasons for the deductions. Explain that such deductions are unlawful. Quote the section number from the Bargaining Council Agreement.

Write a letter to the employer giving all the details of the deductions, the weeks, the amounts deducted, and the amount the employee is claiming.

If the employer will not pay back the amounts owing to Jerry, write a letter of referral to the Bargaining Council asking them to investigate the problem. Explain to them what steps you have already taken to try and sort out the problem.

CASE 2:

Thabiso is employed by Fix-it Tiles. The company makes plastic floor tiles. She thinks that they pay her less than the minimum wage which the law says she should be paid. She wants to know if this is correct.

How to assist the employee:

Check which wage regulating measure protects the company that Thabiso works for, for example, a Bargaining Council Agreement or Wage Determination, BCEA.

Once you have established this, check whether there is a minimum wage for the industry. If so, find out what the minimum wage should be for Thabiso. If she is being underpaid according to a BC agreement or Wage Determination, you can take these steps:

Telephone or write to the employer and ask for details on why Thabiso is being underpaid, as the law says that a minimum wage must be paid to her.

If the employer carries on paying below the minimum wage and refuses to take any notice of your request, you should refer the problem in writing to the Bargaining Council (if it is a Bargaining Council Agreement) or to the Department of Labour (if it is a Wage Determination). The letter must say exactly what the claim is and what steps have already been taken to sort out the problem.

Each Bargaining Council as well as the Department of Labour has its own procedures for investigating complaints and enforcing rights. The Department of Labour will appoint an inspector to investigate the complaint. If the inspector finds the employer has not complied with the BCEA, the inspector can order the employer to pay Thabiso by giving the employer a Compliance Order. If the employer refuses to pay Thabiso, the inspector can refer the matter to the Director General of Labour.

Thabiso has the right to bring a private civil claim against the employer, either in the Small Claims Court or in the Magistrate's Court.

If Thabiso is covered by the Basic Conditions of Employment Act, then there is no minimum wage. There is nothing you can do to help her.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 185 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 5: APPLY BASIC HR PRINCIPLES IN A NEW VENTURE

UNIT STANDARDS IN THIS MODULE	119713	APPLY BASIC HR PRINCIPLES IN A NEW VENTURE	
	IDENTIFY AND PLAN FOR THE HUMAN RESOURCES NEEDS OF A NEW VENTURE	SO 1	
	IMPLEMENT THE HUMAN RESOURCES NEEDS OF A NEW VENTURE	SO 2	
	IDENTIFY AND COMPILE BASIC EMPLOYMENT POLICIES AND PROCEDURES	SO 3	
	COMPLY WITH RELEVANT HUMAN RESOURCES LEGISLATION	SO 4	
	A basic skills survey is undertaken to determine the skills requirements of a new venture.	SO 1 AC 1	
	The human resources capacity requirements in new venture are determined.	SO 1 AC 2	
	The cost implications for employing staff are determined.	SO 1 AC 3	
	A decision is taken regarding employment possibilities and a basic profile of each person to be employed is drawn up for interviewing purposes.	SO 1 AC 4	
	Selection and recruitment of new staff is undertaken where relevant according to a basic recruitment and selection plan.	SO 2 AC 1	
	Employment contracts are drawn up.	SO 2 AC 2	
	Job descriptions are compiled and new recruits/employees informed of their duties.	SO 2 AC 3	
	Employees are managed on an ongoing basis and regular performance reviews are conducted to ensure that overall job criteria and development needs are being addressed.	SO 2 AC 4	
	Disciplinary procedures are established.	SO 3 AC 1	
	Grievance procedures are established.	SO 3 AC 2	
	Recruitment and retrenchment procedures are implemented.	SO 3 AC 3	
	Basic development plans to further develop the skills of employees are compiled and implemented.	SO 3 AC 4	
	The role of employees, trade unions and employers in the workplace are understood.	SO 3 AC 5	
	Legislation that applies to employment is identified and explained.	SO 4 AC 1	
	Employment conditions are interpreted and applied for own venture.	SO 4 AC 2	
Policies are implemented to ensure equity in new venture.	SO 4 AC 3		
Plans that relate to legislative matters are communicated to staff and relevant stakeholders.	SO 4 AC 4		

MODULE 5 - PART 5

	IDENTIFY AND PLAN FOR THE HUMAN RESOURCES NEEDS OF A NEW VENTURE	SO 1
	A basic skills survey is undertaken to determine the skills requirements of a new venture.	SO 1 AC 1
	The human resources capacity requirements in new venture are determined.	SO 1 AC 2
	The cost implications for employing staff are determined.	SO 1 AC 3
	A decision is taken regarding employment possibilities and a basic profile of each person to be employed is drawn up for interviewing purposes.	SO 1 AC 4

 <p data-bbox="137 2101 292 2139">PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 186 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

IDENTIFYING AND PLANNING FOR THE HUMAN RESOURCES NEEDS OF A NEW VENTURE

INTRODUCTION

A successful business depends on having the right people with the right skills in the right jobs. When you open your own business, before you even begin to look for staff it is very important to gather information about the jobs and the skills you will require in order to successfully run this new venture. In this section, you will first learn how to plan your human resource needs. You will then learn how to do human resource planning which involves identifying what jobs you will need and what each job includes. In addition, you will also learn how to work out the number of people you will require and how much they will cost you.

DEFINITION OF KEY TERMS



Human resources: is the division of a company that is focused on activities relating to employees. These activities normally include recruiting and hiring of new employees, orientation and training of current employees, employee benefits, and retention. Formerly called personnel.

Recruitment: is the process of identifying and hiring the best-qualified candidate (from within or outside of an organization) for a job vacancy, in a most timely and cost effective manner.

Selection: Employee selection is the process of putting right men on the right job. It is a procedure of matching organizational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching.

Planning: is a basic management function involving formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. The planning process (1) identifies the goals or objectives to be achieved, (2) formulates strategies to achieve them, (3) arranges or creates the means required, and (4) implements, directs, and monitors all steps in their proper sequence. In simple terms, planning is the process of setting goals, developing strategies, and outlining tasks and schedules to accomplish the goals.

UNDERTAKING A BASIC SKILLS SURVEY FOR A NEW VENTURE

According to Gibb and Ritchie (1982) (MAIR model), basic success ingredients **for a new start up are, motivation, ability and skills, idea in relation to market and resources.** Far too often, people are so eager to start a new organization, product, service or program that they end up skipping some very important considerations. This is very likely one of the major reasons that so many new organizations fail within the first five years.



A skills survey is a survey done before recruiting or hiring staff. This process is commonly called job analysis. Skills requirements are identified through your skills survey. A skill is what a person can do, for example, cut hair, sowing clothes or fixing a car engine.

A skills survey or job analysis helps you to gather information about what skills you will need to operate your business successfully. For example, if you decide to open a restaurant, you will have to know what skills you will need to run that restaurant. You will possibly need a manager, waiters/waitresses and at least two chefs. You must also know what skills these people need so that they can do their job properly. A skills survey therefore helps you to gather this information, so that when you interview staff for your restaurant you will know what skills, knowledge and attitudes to look for in each potential employee.

In order to achieve this, you can do the following:

The logo for Phakamani Learning Academy, featuring a stylized tree with roots and branches inside a circle, with the text 'PHAKAMANI LEARNING ACADEMY' below it.	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 187 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

1. Identify and list the types of jobs you will require. You could possibly go to your car wash at the corner and observe the staff they have and what each of them does. Through your observations, you will discover the jobs and skills you will require for your car wash. For example, you will need a frontline person, someone who meets the customers first and ask them what type of wash they require. Next, you will need a person who soaps and rinses the vehicle. You might as well need a driver who moves the car from the wash bay to the vacuum bay and you need cleaners who can vacuum and dry. In addition, you will also need a cashier who collects the money from the customer and a bookkeeper who records and keeps the books.
2. Group together similar jobs, for instance, the cleaners would fall into one group and the cashier would fall into another group.
3. Identify the skills requirements for each group. For example, the frontline person would need to be friendly and be able to speak English, isiZulu, Sesotho or Afrikaans as well. He or she would need to have knowledge of the different services you offer and would also need a driver's license. The cashier and the cleaner would require their own sets of skills. As you observe the different job categories at the corner car wash, you will quickly discover skills required for each group of workers.

THE HUMAN RESOURCES CAPACITY REQUIREMENTS IN NEW VENTURE

Once you have conducted the skills survey you need to do human resource planning, which involves planning the number of people you will require for your venture. One way of planning how many staff you need is to decide on your human resource capacity requirements. Human resources capacity requirements involve knowing the number of people and skills required to ensure that the business is successful. It also involves the expectations or requirements we place on our employees to produce an amount of work in a certain period of time to make the business profitable. Human resource capacity requirements look at the maximum that you can expect from your employees in terms of their roles, duties and positions.

For example, if you own hairdressing salon and you have a hairdresser working for you, you can expect the hairdresser to take in a maximum of 12 clients per day (if it takes on average half an hour per client). This capacity requirement takes into account at least an hour and a half break between clients. Even a capacity requirement of 1 could be too much as some clients could take an hour or more. To be more realistic, you may then have to reduce the human resource capacity requirement to 10. In addition, you may also not require your hairdresser to wash hair, but only to cut, colour and blow-dry. This would be the capacity requirement in terms of role and responsibility.



In order to determine human resource capacity requirements of a new venture, the human resources manager (HR manager) must follow certain steps. By following these steps, he or she will discover what human resources capacity requirements are needed to make the business a success.

1. *Know what the company's objectives are*

In order to set meaningful human resource objectives, the HR manager must know what the company's objectives are. For example, the company's objectives could be a 15% growth in their market share within 1 year. This means to have 15% more of the public buying from them, instead of from their competitors.

2. *Determine what the human resource objectives are to help meet the company's objectives.*

Once the HR manager knows the company's objectives, she will then be able to establish the human resources objectives for the company. These human resources objectives must fall in line with the organisation's objectives. The HR manager must work out what human resources are required and what each person must do to achieve the company's objectives. For example, if the company's objective is to grow the business by moving into other related

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 188 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

businesses, the human resource objectives must then be geared toward growth. This would entail hiring, training and promoting individuals, so that the staff are prepared to take on new areas of business.

3. Identify key personnel and supporting human resources

You first need to identify your key personnel. For instance, if you were opening a restaurant, you would first need to hire an effective restaurant manager and a head chef. From your skills survey, you will be able to identify the skills needed by a restaurant manager and head chef. Once these key personnel are hired, they will assist you in selecting the other supporting staff.



You must ensure that you have additional trained supporting and key staff, who can fulfil positions that become vacant (this process is called career or succession planning). Each staff member must have a development plan or career plan, which prepares him/her for a promotion or for an internal transfer. In this way you will have staff waiting to fill positions that become available.

COST IMPLICATIONS FOR EMPLOYING STAFF

There are a lot of costs involved in hiring a new staff member. All these costs add up and it is therefore very important to consider this before setting out to hire new employees.

Recruitment costs

This is the first cost in hiring a new staff member. The recruitment costs will be the cost of advertising the position in the newspapers or recruitment agency costs. The recruitment agency's costs are between 10% and 15% of the new employee's annual salary. So, if your staff member stands to earn, for instance, R300 000 for the first year, you will have to pay R30 000 to the recruitment agency for using their services.

Induction and training costs

The costs for employing staff do not end with recruitment costs. You need to take into account the cost of induction and training. It takes time, effort and money to train a new employee. In most cases, in a small business you usually cannot afford to hire highly qualified people, as this would cost too much in annual salaries. You would more than likely hire staff who are not highly qualified. As a result, you will have to spend a lot of time training them in their jobs, and this costs a lot of money.



New staff members will only become productive after they have had enough time to learn their jobs. This could take up to three months or more. So, for example, if you hire sales representatives, do not expect them to bring in new business for at least the first three months. Their monthly salaries for this period will, therefore be a cost to the organisation.

Basic salary

The financial aspects of hiring an employee go far beyond the visible cost of paying them a salary. There are many factors and hidden costs that need to be taken into account. National and international legislation also determine a company's financial obligations to an employee to a certain extent. Thus, the true cost of hiring a worker will be more than the agreed wage, and the additional costs need to be budgeted for in the accounts.

Apart from the salary, an employer pays additional up-front costs for items such as the employer's portion of the social security and pension contributions. In many countries employers also have a legal obligation to pay holiday pay and sickness benefit contributions, as well as collecting taxes for the government and paying tax credits to an employee where there is entitlement. Where women of child-bearing age are employed, there is also the cost of maternity leave to consider, the length of which depends on national laws; companies can usually claw most of this back from the government to cover the cost of hiring a temporary replacement. Other legislative issues to consider

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 189 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

include matters such as a legal minimum wage and, in some countries; companies have to meet the cost of running checks to ensure they are not hiring illegal immigrants.



Wage costs are the single biggest monthly cost for many companies, but, the financial implications of contracting a new employee can be much bigger than you might expect. Before you begin looking for new staff, it is definitely worth checking whether you really need to expand. When buying a business, invariably you will buy the existing staff as part of the package. You may find that you need

additional staff at the time of takeover, or further down the line.

Under current employment law, you are liable for sickness and maternity pay, as well as having to make provision for holidays. You are also partly responsible for your new employee's health and safety in the workplace.

SUMMARY

Costs of Hiring New Employees

The cost to your business when hiring new employees includes the following factors plus 10% for incidentals such as background screening:

- Advertising
- Bonus signing
- Relocation pay
- Time for interviewing
- Travel expenses
- Pre-employee assessments
- Costs of Training New Employees
- Training materials
- Technology
- Employee benefit set up
- Time for trainers

Therefore, before employing new start you must first of all complete the following;

Find out from other companies that you want to venture into for example, saloon how much they pay their employees. This means you must find the market rates for these specific jobs. Once you know these costs, and based on your requirements you can calculate how much it will cost you to employ the staff you need.

Establish how much the recruitment costs will be. Phone up your local newspaper and find out how much an advert would cost and speak to a recruitment agency to find out what percentage they will charge for supplying you with personnel. Once you know the costs of both, you can decide how you are going to advertise for these staff. Alternatively, you can use the word of mouth- someone you know may know someone who is looking for a job.

Calculate the cost of having these staff on your payroll. You will have to calculate the cost of their salaries, UIF contributions, pensions, medical aid contributions, uniform costs and training costs. You will need to do some research to establish these costs. Ask a medical aid broker and an insurance broker to give you quotes. You can visit the Department of Labour website to find out how much you and your staff need to contribute towards UIF and what your financial obligations are towards your staff. Your employees are also entitled to 30 days' sick leave every three years.

Lastly, calculate other costs, such as unproductive time costs and sick leave costs. Also remember that your new staff will not be as productive in the beginning as you hope them to be. Bear in mind too, that until they know what they are doing, instead of styling 6 people per hour they may only manage to style only 2 or 4. This cost is an

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 190 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

unproductive coat. So, instead of bringing in revenue of say R50 per person x 6 = R300 per hour, they will only bring R100.

MAKING DECISIONS REGARDING EMPLOYMENT POSSIBILITIES IN A NEW VENTURE

To make decisions regarding future employment possibilities in a new venture, you need to do some calculations and ask yourself some key questions.

Begin by looking at how many people you currently have in your organisation. Assume that you have one frontline person, one washer and rinsers, three cleaners, one cashier and one bookkeeper in your car wash business. This means you have a total of seven staff members.

Next, ask you need to ask yourself “how many of these seven people will leave in the near future?” you need to take into account those people who are near retirement, those who will be promoted and those who will resign. For example, if you expect one person to retire and two to leave this gives a total of three people you will need to replace.

The next question you must ask is: do i have enough people within my organisation to fill those three positions which are expected to become available, or do i need to fill these positions with people from outside my business (the external labour market)? In this case, it is most likely that you will have to fill your three expected vacancies with skilled people from outside your business or you may wish to promote internally and fill their previous positions with people from the external labour market.

The next question is: is there a shortage or surplus supply of the skills i need in the external labour market and must i begin training skills for the future? From our example, there could be a surplus of cleaners, but perhaps not a surplus of effective frontline people. You may need to begin grooming a frontline person already if you are expecting this person to leave in the near future. This process is called career development or succession planning.

Retaining employees is also a key factor in determining employment possibilities. This is because if an organisation manages to retain its current employees, it will not end up with a skills shortage in the future.

JOB PROFILE

A job profile or a job description is used to find and select suitable candidates for a job. A job profile consists of the;

- Job title,
- Knowledge,
- Skills,
- Abilities
- required qualifications of candidates, and
- Training and experience required of the candidate to carry out the job effectively.

The job description outlines the role, in terms of both the day to day tasks and responsibilities. It helps potential applicants to decide whether they want to apply for the job, and can be a useful aid for employers when devising job advertisements and employment contracts.

A job profile is given to the recruitment agency to give them an idea of what the company’s requirements are. The recruitment agency will then use the job profile to source suitable candidates for the organisation to interview. It provides the interviewer with the information necessary to ask the right questions in the interview. This helps to reduce unnecessary interviews and keeps the list of candidates short and specific. A job profile example is shown in the diagram below.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 191 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4

Job Element	Detail
Job Title	Marketing Assistant
Reporting To	Marketing Manager
Department/Location	Marketing Department, Johannesburg
Main Purpose	To plan and carry out marketing activities, so as to maintain and develop sales of company products to South Africa customers, in line with business plans.
Duties & Responsibilities Scope or Scale	<ul style="list-style-type: none"> ▪ Plan and carry out marketing activities to agreed budgets, sales volumes, values, product mix and timescales. ▪ Develop and implement ideas for marketing to major customers. ▪ Develop and produce marketing communications and press releases. ▪ Plan and coordinate all trade show and event activities, ensuring plans are communicated to relevant personnel. ▪ Monitor and report on activities and provide relevant management information. ▪ Liaise with external agencies to carry out market research, competitor analysis and customer surveys. ▪ Liaise and attend meetings with other company departments as necessary to perform duties and aid the business development. ▪ Assist the Marketing Manager with managing the contracts with external agency and being a nominated point of contact ▪ Attend training and to develop relevant knowledge and skills. ▪ Maintain the computerized customer database. <p>Budget of R400,000 - Database of 7,000 customers - No direct reports</p>
Salary & Benefits	Salary: R200,000 per annum 25 days holiday Occupational pension scheme Life assurance Childcare vouchers

THE IMPORTANCE OF A JOB DESCRIPTION

A job description has four main uses:

1. **Organisation** - it defines where the job is positioned in the organisation structure. Who reports to who.
2. **Recruitment** - it provides essential information to potential recruits (and the recruiting team) so that they can determine the right kind of person to do the job (see person specification).
3. **Legal** - the job description forms an important part of the legally-binding contract of employment
4. **Appraisal of performance** - individual objectives can be set based on the job description

When writing a job description takes the following into consideration.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 192 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

- make sure you can justify the main purpose of the job and all other aspects of the job including each task or duty, the working hours and times, and the pay levels
- write in plain English without unnecessary jargon
- be honest about what the job involves: if you give an unrealistic impression of the job you are unlikely to find the most suitable candidate, and you may experience problems with retention if new staff find the job is markedly different from that which was described
- don't overstate the responsibilities or duties if you are recruiting for an existing position, as opposed to a newly created position, the previous job description may be a useful starting point. However, you need to consider whether the needs of the organisation have changed, and whether tasks that were initially part of the role have since been reallocated to other staff. To avoid being tied to the way the job has always been done it may be best to write a fresh job description, guided by the job analysis you carried out and then looking back at the existing job description to see if you have overlooked anything.

CONDUCT AN EMPLOYEE INTERVIEW

Once you have planned your personnel requirements and prepared a job description for each position, you must select suitable employees to match your requirements. To do this you need to conduct interviews to find out more about the potential employees. An employment interview is a meeting between the employer and the potential new employee, in which they try to establish whether or not the candidate will be able to fulfil the requirements of the available position.

As an interviewer, you will need to establish answers to the following questions:

- Does he or she have the ability to perform the job?
- Will he or she be motivated enough to achieve the job requirements?
- Will he or she match the needs of the organisation?

HOW TO PREPARE FOR AN INTERVIEW

It is very important to plan the interview before you meet with the interviewee.

Firstly, you need to plan the agenda. This is so that you will know, before the interview, what questions you will ask and in what specific order you will ask them. Make sure the questions cover all the aspects outlined in the job profile.

Secondly, plan what information you will provide the candidate. For example, you can speak briefly about how the company came about, what the company does, the services or products it provides, how many staff there are, what market the company services and your role in the organisation. Bear it in mind that the purpose of the interview is to gather information about the candidate so that you can determine whether or not he or she will be suitable for the job.

You must also:

- Book the venue and ensure that it is a comfortable and private place
- Read through the candidate's CV and familiarise yourself with his/her background, qualifications, experience and skills
- Familiarise yourself with the job profile (the skills, duties and responsibilities required for the job), and,
- Be aware of contrast errors that could occur. If you begin with interviewing an excellent candidate, then the next candidate will seem poor in comparison.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 193 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

HOW TO CONDUCT AN INTERVIEW

The interview process can be divided into two stages:

Stage 1

This is the information gathering stage where you ask the candidate questions. You can decide to take a structured or a non-structured approach. Structured is where you ask each candidate the same set of questions. This enables you to compare the responses of each candidate. Non-structured is where no questions are prepared in advance and the interviewee directs the interview.

The disadvantage of a non-structured approach is that it is almost impossible to compare candidates across interviews. As an interviewer, you will choose the approach that best suits the situation and your objectives.

Stage 2

This is where you provide the candidate with information about the business and the job. If after the first stage, it is clear that the candidate is not suitable, you can save time by not going on to this second stage.

As an employer you must behave in a professional and unbiased manner. You cannot allow your judgement to be swayed by the appearance of the candidate or your personal values.

MODULE 5 - PART 6		
	IMPLEMENT THE HUMAN RESOURCES NEEDS OF A NEW VENTURE	SO 2
	Selection and recruitment of new staff is undertaken where relevant according to a basic recruitment and selection plan.	SO 2 AC 1
	Employment contracts are drawn up.	SO 2 AC 2
	Job descriptions are compiled and new recruits/employees informed of their duties.	SO 2 AC 3
	Employees are managed on an ongoing basis and regular performance reviews are conducted to ensure that overall job criteria and development needs are being addressed.	SO 2 AC 4

IMPLEMENTING THE HUMAN RESOURCES NEEDS OF A NEW VENTURE

INTRODUCTION

Human resource needs can be fulfilled by formulating detailed plans for recruiting and selecting new staff, for employing new staff, for managing new staff and for monitoring their performances. In this section the following will be covered: how to select new staff, what is expected of the employer in terms of staff management and how to monitor employees' performances.

RECRUITMENT AND SELECTION PLAN

A recruitment and selection plan helps to ensure that an organisation is not understaffed or overstaffed. It also helps to ensure that the organisation has enough skills to draw on should any job become vacant.

Every step in your recruitment and selection action should:

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 194 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	



To achieve this:

- ✓ Take a planned and proactive approach to recruitment and selection
- ✓ Consider the Maximise Opportunity / Minimise Risk principle every time you make a decision
- ✓ Invest time and effort into the process
- ✓ Create an About the Job and Advert which are fit for purpose and encourage a diverse range of relevant, talented applicants to apply
- ✓ Use a range of selection techniques to assess candidates fairly and thoroughly
- ✓ Value all applicants and treat them with respect at every stage in the process

RECRUITMENT AND SELECTION ACTION PLAN

Proactive planning is key to effective recruitment and selection action. The sample below will provide you with a summary overview of key Recruitment and Selection action. Use it to help plan your action for every post you recruit to.

EXAMPLE OF RECRUITMENT AND SELECTION PLAN

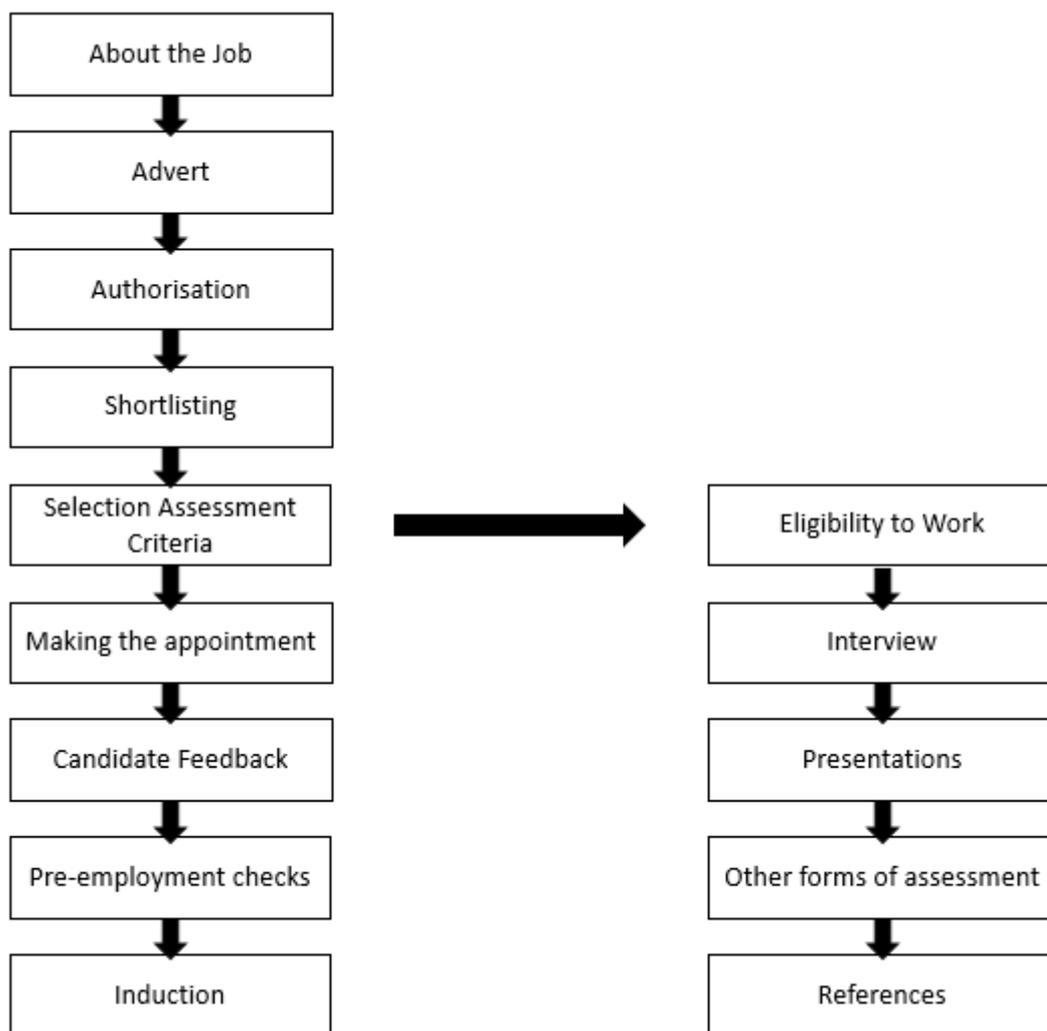
1. Quantity of recruitment
 - Identify number of employee / staff recruited per department
 - Design a table with columns: No, department, Position, Number of employee, date got new employee, remarks
2. Design of recruitment materials
 - Testing tools for the above positions are available?
 - If not, company should have plan to fulfil above materials
 - Job description of the above positions are available?
3. Sources of recruitment
 - You should design a table with columns: No, position, channel, budget, who follow?, remark
 - You can identify recruitment sources by internal or external
 - What are channels for recruitment?
 - You should identify suitable channel for each position.
4. Selection plan
 - Who receive CVs? and when do?
 - Who review CVs? and when do?
 - Who organize to check professional and skills of candidate? and when do?
 - Who interview? and when do?
 - Who make final decision? and when do?

You should design a table with columns: No, working contents, who follow, who support, date, remark.

5. Recruitment budget
 - Identify what is budget of this recruitment.
6. Notes (if any)

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 195 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Recruitment and selection action plan can be summarised as follows:



DRAWING EMPLOYMENT CONTRACTS

An employment contract is an oral or written, express or implied, agreement specifying terms and conditions under which a person consents to perform certain duties as directed and controlled by an employer in return for an agreed upon wage or salary. Whether stated or not in the contract, both the employee and the employer owe the duty of mutual confidence and trust, and to make only lawful and reasonable demands on each other. Every employee is under the obligation to carry assigned duties, or the employer's instructions to the best of his or her abilities. The employer is under the obligation to protect the employee from harm or injury, and make fair compensation for any loss or damage resulting from any job-related accident. Also called contract of service, it generally details the conditions under which it can be lawfully terminated by either party, and the correct procedure to be followed in its termination.

The employment contract must include details such as;

- Name and address of employer
- Name and occupation of employee
- Brief job description
- Place of work
- Date of employment

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 196 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

- Salary structure
- Working hours
- Date of payment
- Leave entitlement, and,
- Notice period

The contract lays out all the employment conditions, to which both parties must hold. An example of an employment condition is annual leave- an employee is entitled to 21 uninterrupted days of leave for every 12-month cycle. An example of an employment contract is shown below.

EMPLOYMENT AGREEMENT (EXAMPLE)

This AGREEMENT, entered into this ___ day of [Month], 20___, between [Business], a [state of incorporation] (the "Company"), and [name of employee] (the "Employee"),

WITNESSED THAT:

WHEREAS, the parties hereto desire to enter into this Agreement to define and set forth the terms and conditions of the employment of the Employee by the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, it is hereby covenanted and agreed by the Company and the Employee as follows:

1. Position; Employment Period

The Company hereby employs the Employee as its [position], and the Employee hereby agrees to serve in such capacity, for the period beginning (start date), 20___, and ending on the date on which the Employee's employment is terminated in accordance with paragraph 8 below (the "Employment Period").

2. Performance of Duties

The Employee agrees that during the Employment Period he shall devote his full business time to the business affairs of the Company and shall perform his duties faithfully and efficiently subject to the direction of the (President) of the Company; provided that the foregoing shall not limit or prevent the Employee from serving on the board of directors of charitable organizations or other business corporations not in competition with the Company. The Employee shall not be assigned duties and responsibilities that are not generally within the scope and character associated or required of other employees of similar rank and position.

3. Compensation

(a) Subject to the following provisions of this Agreement, during the Employment Period the Employee shall be compensated for his services as follows:

(b) He shall receive an annual salary, payable in monthly or more frequent instalments, in an amount which shall initially be (R amount) per annum, subject to such increases as may from time to time be determined by the [President] of the Company.

(specify pension and other non-salary benefits.)

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 197 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

(c) He shall be entitled to vacations of not less than [amount] per year.

(d) He shall be entitled to such other perquisites as may be customarily granted by the Company to employees of similar rank and position.

4. Disability

Subject to the provisions of paragraph 8, if the Employee's employment is terminated during the Employment Period by reason of his Disability (as defined below), the Employee shall continue to receive an annual salary and benefits in accordance with paragraphs 3(a) and 3(b) through the end of the (number) full calendar month of such disability but not in any event beyond the end of the Employment Period. For purposes of this Agreement the term "Disability" means a physical or mental disability which renders the Employee incapable of performing his duties under this Agreement and which disability has existed for at least (number) months, as determined by an independent physician selected by the Company and agreed to by the Employee. Any salary payments to the Employee shall be reduced by the amount of any benefits paid for the same period of time under the Company's disability insurance programs.

5. Competing Businesses

During the period of his employment under this Agreement, the Employee shall not be employed by or otherwise engage in or be interested in any business in competition with the Company, or with any of its subsidiaries or affiliates, except that the Employee's investment in any such business shall not be considered a violation of this paragraph if either (a) the Employee owns less than (number)% of the equity thereof, or (b) such business is not in competition with the Company.

6. Confidentiality

During and after the Employment Period, the Employee will not divulge or appropriate to his own use or to the use of others, in competition with the Company, any secret or confidential information or knowledge pertaining to the business of the Company, or of any of its subsidiaries, obtained by him in any way while he was employed by the Company or by any of its subsidiaries.

7. Remedies

If at any time the Employee violates to a material extent any of the covenants or agreements set forth in paragraphs 5 and 6, the Company shall have the right to terminate all of its obligations to make further payments under this Agreement. The Employee acknowledges that the Company would be irreparably injured by a violation of paragraph 5 or 6 and agrees that the Company shall be entitled to an injunction restraining the Employee from any actual or threatened breach of paragraph 5 or 6 or to any other appropriate equitable remedy without any bond or other security being required.

8. Amendment and Termination

This Agreement may be amended or cancelled by mutual agreement of the parties without the consent of any other person and, so long as the Employee lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof The Employment Period shall terminate as of the earliest of:

(a) (date);

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 198 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

(b) the last day of the month in which the date of the Employee's death occurs; or

the date on which the Company gives notice to the Employee if such termination is for Cause or Disability.

(c) For purposes of this Agreement, "Cause" means the Employee's gross misconduct resulting in material damage to the Company or wilful and material breach of this Agreement.

9. Notices

Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered mail to the Company at its principal executive offices or to the Employee at the last address filed by him in writing with the Company, as the case may be.

10. Non-Assignment

The interests of the Employee under this Agreement are not subject to the claims of his creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered.

11. Successors

This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.

12. Applicable Law

The provisions of this Agreement shall be construed in accordance with the laws of South Africa

13. Counterparts

The Agreement may be executed in two or more counterparts, any one of which shall be deemed the original without reference to the others.

IN WITNESS WHEREOF, the Employee has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

[Employee Name]

[name of business]

By: _____

Its: Duly Authorized Representative

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 199 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

COMPILING JOB DESCRIPTIONS

A good job description is the cornerstone to any employment decision. Sadly, many managers fail to spend the time on this task. In most cases, this is because they do not understand the value of it or because they have compiled one incorrectly in the past. Job descriptions should accurately describe the duties and responsibilities of a position. It is extremely useful in recruiting and hiring the right person, in designing and restructuring jobs, in identifying training and development needs, to decide on the right compensation for the position and as a means to review job performance accurately, objectively and fairly.

If both employer and employee are on the same page and clearly understand what is expected, one can avoid much of the complaints, legal issues and unhappiness that can result from uncertainty.

JOB ANALYSIS – THE FIRST STEP

The first step in drawing up a job description is to do a thorough job analysis. This is an in-depth study of a job. The job analysis examines all the tasks and sequences of tasks necessary to perform the job. It also looks at the knowledge and skills needed for the position.

Gather information about a job by interviewing employees, observing performance of certain tasks, interviewing the relevant supervisor or manager and, where appropriate, collecting information about a job from sources outside of your business.

When collecting information from an employee, make it clear that the job analysis will not have any negative consequences for him or her, such as a reduction in salary or demotion. It is useful to ask the employee and supervisor to think carefully about all aspects of the job beforehand. The key is not to get side-tracked by other issues, such as interpersonal relations and office politics. They should also try to be as objective as possible and therefore not overstate or understate duties, skills and abilities.

Once the information has been collected, the job analyst draws up a draft job analysis and asks the employee and supervisor to review it. A final job analysis is then drawn up and sent to the parties for approval.

The recruiter or employer uses the job analysis to draw up a job description. These descriptions should be as clear and to the point as possible. A job description should include the following:

Duties and responsibilities

This obviously depends on the job concerned. Be as specific as possible, making sure that you include all the main functions of the job. For example, the job description of a receptionist could list duties such as sorting mail, answering phone calls, taking messages, assisting the office manager and greeting visitors.

Knowledge, skills and abilities

Ask yourself: what skills are required to perform the above duties and responsibilities? Common skills for a secretarial position, for example, include PC literacy and knowledge of certain software packages, minimum typing speed, ability to work with people, ability to work independently and ability to write letters, minutes and memoranda.

Credentials and experience

If the job description is used for recruitment purposes, it is important to specify the minimum acceptable level of education, experience and certifications necessary to be able to do the job efficiently.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 200 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Special requirements

This could include a willingness to work overtime or to travel. For recruitment purposes, a salary range, application requirements (for example CV, contactable references and covering letter) and closing date should also be included. If the job description is used as a tool to evaluate performance, it is necessary to update and review it with the employee every six months. It is important for employees to view the job description as a benefit and not as a tool for the manager to check up on them. The involvement and cooperation of the employee is therefore of vital importance every step of the way.

SUMMARY

The main contents of a job description are:

Job Title: this indicates the role/function that the job plays within an organisation, and the level of job within that function (for example, Finance Director would be a more senior position than Financial Accountant - although both jobs are in the "finance department")

Reporting responsibilities: who is the immediate boss of the job holder?

Subordinates: who reports directly TO the job holder?

Main purpose: who is involved in the job overall?

Main tasks and accountabilities: description of the main activities to be undertaken and what the job holder is expected to achieve (for example, in the case of the Management Accountant, this might include "Complete monthly management accounts by 10th working day of each month and prepare report on all key performance variances")

Employment conditions: which may include any special working conditions, for example shift work, unusual hours, travel or any occasional duties for example, travel and covering for others.

- the geographical location and setting of the job
- clear guidance on how to apply including the deadline for applications and contact information for any enquiries

You may also wish to include information about opportunities and benefits attached to the job, such as:

- pay levels, potential increases and the requirements for their attainment
- potential promotional prospects
- personal development opportunities such as job shadowing, mentoring, networks, career action plans, career development/training programmes
- other benefits, for example holiday entitlement, pension schemes, childcare facilities, flexible working,
- career breaks, accommodation of religious breaks, adaptable working uniform, prayer space and time.

In simple terms, a job description must include the following:

- The job title
- The location of the job, for example, department or section
- The reporting line (who reports to whom)
- The name of the person who compiled the job description
- The name of the person who approved the job description
- The date of the skills survey
- The date the job description was compiled
- The job summary or main purpose of the job, and

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 201 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

- The duties and responsibilities

SPECIFIC EMPLOYEE DUTIES

Employee duties that are specific to the job must be written down in a step by step format, as you would your organisational procedures. For example, if you have a specific way that you want your cars to be washed, then you must write down this step-by-step process and give it to your washers. You must take them through the process until they fully understand it. Only then can you expect them to carry out the job properly. These job-specific procedures are used to train staff members and to ensure they are able to perform each job effectively.

METHODS AND PROCEDURES TO MANAGE EMPLOYEES ON AN ONGOING BASIS

It is important to put procedures in place that will help managers to manage their staff effectively on an ongoing basis. Three important sets of procedures that all organisations should have are procedures for the induction of new staff, procedures for exit interviews of staff that are leaving and procedures to conduct performance reviews and appraisals.

Induction procedures

Induction is an orientation programme for new employees. Part of an induction procedure is a plan for the first day to welcome the new employee. An organisation could organise a social get-together such as a breakfast or mid-morning tea so that the new employee can meet her/his new colleagues and become familiar with the business environment. The employee should then attend a detailed induction programme, which could take between one and two days depending on the amount of information to be covered. The programme should include information such as the company's mission, vision, values, purpose, culture, code of conduct, customers and organisational procedures. Personal information for instance, medical aid, insurance, salary structure, leave arrangements and payment dates should also be provided.

The new employee should also be told what he/she is expected to contribute to the larger organisation. This will make him feel like an important part of the business. Over the first few weeks, the new employee should be given written job specific procedures. She should also attend training courses and receive on-the-job training in the new position.

A new employee should be provided with an orientation folder, which includes general information and job-specific information. A mentor or buddy should be given to the new employee to show him what the work entails and to ensure that he feels part of the team and new organisation as quickly as possible. If new employees do not integrate or feel part of the organisation soon after they start, they are more likely to leave. This is why induction is a very important part of the employment process.

Exit Interviews

It is important that an organisation has a procedure in place for when an employee resigns from the company. This procedure should include an exit interview to establish why the employee is leaving. Detailed questions will uncover problem areas that should then be dealt with by human resources. If these problems are dealt with properly and quickly, it may help to prevent other staff from leaving.

Conduct performance reviews/appraisals

The growth of an organisation depends on the growth of its people. Training does not guarantee growth and therefore, there is need to continuously assess employee's performance to see whether they are improving or under-performing.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 202 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

At least once a year, formally evaluate each employee by writing a performance appraisal and holding a meeting with the employee. To prepare, gather and review all of the documents and records relating to the employee's performance, productivity, and behavior. Review your log and the employee's personnel file. You might also want to take a look at other company records relating to the worker, including sales records, call reports, productivity records, time cards, or budget reports.

Once you have reviewed these documents and gathered your thoughts about the employee's work, write the appraisal (or, if you will solicit input from other managers, ask each of them to complete an evaluation, and then compile them). Although an appraisal can take many forms, it should include:

- each standard or goal you set for that worker and that job
- your conclusion as to whether the employee met the standard or goal, and
- the reasons that support your conclusion.

When you have finished writing the appraisal, set up a meeting to discuss it with the employee. Remember, this is likely to be one of the most important meetings you have with each employee all year, so schedule enough time to discuss each issue thoroughly. At the meeting, let your worker know what you think he or she did well and which areas could use some improvement. Using your evaluation as a guide, explain your conclusions about each standard and goal. Listen carefully to your worker's comments -- and ask the worker to write them down on the evaluation form. Take notes on the meeting and include those notes on the form.

WAYS PERFORMANCE REVIEWS ADDRESS JOB CRITERIA AND DEVELOPMENT NEEDS

Each job has a list of main areas or job criteria that are outlined in the job description. The performance appraisal is based on these job criterions. The staff member is assessed against each job criteria and if the score comes out as below average, then it is obvious that there is a development need. This means that the person needs to be developed in that area.

For example, an employee could be under-performing in specific job criteria such as typing up the daily correspondence on a word processor. The employee could be making a lot of mistakes or taking a long time to get one document typed. This under-performance could be as a result of carelessness or it could be a lack of word processing or typing skills. If the cause is a lack of word processing or typing skills, then the staff member has a development need and should be trained in that area.

HOW TO CONDUCT PERFORMANCE REVIEWS

Performance reviews should be conducted twice a year and should include the following steps:

1. A performance review is developed with all the job criteria on it
2. A blank form is given to the employee to fill out on his/her own before the review. The employee then rates himself/herself on each job criterion.
3. The employer/manager rates the employee on a separate sheet.
4. The employer and the employee then meet to discuss both of the ratings on each job criterion and agree on a final rating. If that final rating is below average, then the employee has a development need and together the employer and the employee discuss the plan of action to develop that skill.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 203 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

MODULE 5 - PART 7

	IDENTIFY AND COMPILE BASIC EMPLOYMENT POLICIES AND PROCEDURES	SO 3
	Disciplinary procedures are established.	SO 3 AC 1
	Grievance procedures are established.	SO 3 AC 2
	Recruitment and retrenchment procedures are implemented.	SO 3 AC 3
	Basic development plans to further develop the skills of employees are compiled and implemented.	SO 3 AC 4
	The role of employees, trade unions and employers in the workplace are understood.	SO 3 AC 5

BASIC EMPLOYMENT POLICIES AND PROCEDURES

INTRODUCTION

The need for effective workplace policies and procedures has never been more important in today's changing workplace. This is driven by changes to legislation, regulation and codes of practice. For example the changes to industrial relations legislation and the move to a national system have resulted in the emergence of workplace issues of discrimination, workplace rights and unfair dismissals that should be covered by effective policies. All organisations should have policies based on best employment practices and ensure they comply with the industrial relations system and meet minimum obligations.

ESTABLISHING DISCIPLINARY PROCEDURES

Discipline of employees often gives rise to employment litigation. The following general guidelines for dealing with employees with disciplinary problems may help employers avoid litigation.

Employers should have clear disciplinary standards and evidence that employees were given notice of such policies and procedures. These standards must be applied uniformly. The company should retain the right to determine what discipline will be imposed in each individual situation. The disciplinary procedure should follow four rules:

- The employee must know the nature of the problem.
- The employee must know what he or she must do to fix the problem.
- The employee must have a reasonable period of time in which to fix the problem.
- The employee must understand the consequences of inaction.

Disciplinary procedure is a written, step-by-step process which a firm commits itself to follow in every case where an employee has to be warned, reprimanded, or dismissed. Failure to follow a fair, transparent, and uniform disciplinary procedure may result in legal penalties (damages) and/or annulment of the firm's action.

Setting out your disciplinary rules is just as important as following the legal procedure. You need to make sure that employees are aware of your specific rules as they may differ from previous employers they've worked for.

It covers both you and the employee as it means you both know exactly what is expected of them and why they would face disciplinary action should they break one of these rules. You should set these out in your employer/employee contract.

- Ensure your employee is aware of your disciplinary rules
- Make sure the rules are set out in the employee contract

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 204 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

THE PROCESS

It's essential you follow a formal three step process when starting disciplinary action. If you miss one or fail to comply with them all fully, an employee, whatever they have done wrong, stand a good chance of winning at a tribunal.

Firstly, you must send your employee a written letter stating why you have decided to start the disciplinary process.

The next step is a meeting with the employee to discuss the reason you're taking disciplinary action against them. They are legally allowed to attend the meeting with a representative from a union or a colleague. The employee is allowed to answer any points made against them. You must then explain your decision and tell the employee they have a right to appeal.

At the appeal, the employee is entitled to have a representative present. It's also a good idea for you to have someone with you representing your side. After the appeal is over you then give your employee your final decision.

DISCIPLINARY ALTERNATIVES

When deciding what disciplinary action to take, keep in mind that discipline is supposed to be constructive. Your goal is to guide the employee to improve performance or correct inappropriate behaviour, not to punish the employee. As a general rule, your action should be just enough to get the employee's attention. However, you may have to take progressively more serious actions if there is no improvement or if repeat occurrences follow. You need not take each of these actions, but you will normally take more than one of them. Your alternatives are:

Oral Warning

- Set a time and place to ensure privacy.
- Make notes about what you want to say in advance.
- Remember that the employee may have a right to representation.
- State clearly that you are issuing an oral warning.
- Be specific in describing the unacceptable performance or behaviour.
- Remind the employee of the acceptable standards or rules. If they are available in writing, provide them to the employee.
- State the consequences of failure to demonstrate immediate and sustained improvement: Further disciplinary action may be the result.
- Note the oral warning on your calendar and key elements of discussion.

Written Warning

If you gave an oral warning and the problem performance or behaviour persists, a written warning may be effective. You may decide to use this disciplinary action more than once, to get the employee's attention. Be careful, however, not to get stuck issuing repetitive letters of warning that fail to influence the employee's behaviour or performance.

- State clearly at the outset of the letter that it is a written warning, and cite the appropriate personnel policy or contract provision.
- Describe the performance problem(s) or work rule violation(s) in very specific detail and attach documents which support your conclusions.
- Outline previous steps taken to acquaint the employee with the issue (coaching sessions, performance appraisals, previous disciplinary actions) and attach copies of the documents.
- Describe the impact of the problem (safety issues, need to reassign work).
- Note the employee's explanation (as revealed during your investigation) or that the employee declined to offer one. If it was unacceptable, explain why.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 205 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

- Reiterate your expectations regarding behavior and/or performance.
- Note that if the employee doesn't demonstrate immediate and sustained improvement, the consequence will be further disciplinary action, up to and including dismissal.
- Refer the employee to the appropriate policy or contract provision for appeal rights.
- Deliver the warning letter to the employee and place it in the employee's departmental personnel file using appropriate delivery procedures such as "Proof of Service."

Suspension without Pay

This is normally the next stage in progressive discipline after written warning(s). Suspension typically prevents work for a number of working days, as specified in the letter, and pay is docked accordingly. Length of a suspension without pay will be influenced by policy or contract requirements. The letter states that it is a suspension without pay, the appropriate policy or contract provision, and the number of days the employee will be suspended. It also (as with a letter of warning) describes the problem, previous corrective measures, impact of the problem, your expectations, consequences of failure to improve, and the employee's appeal rights.

Depending upon the personnel program the employee belongs to, you may be required to issue a letter of intent to suspend, which provides the employee with the right to appeal your intended action to the next higher management level before the action is implemented.

Reduction of Pay within a Class

This alternative is normally used when you do not wish to remove the employee from the work site, but serious discipline is appropriate. It is most appropriately used in lieu of suspension without pay, in cases of chronic absenteeism or tardiness. The reduction of pay is for a specific period of time, related to the seriousness of the performance discrepancy or work rule violation, and noted in the letter. The disciplinary letter will incorporate the same elements included in a suspension letter. You may have to issue a letter of intent similar to that used in cases of suspension.

Demotion to a Lower Classification

This action involves movement of an employee to a lower level position, and may be temporary or permanent. Demotion is most often appropriate in cases of inadequate performance of responsibilities at a particular level, rather than violation of work rules. It should be based upon a reasonable expectation that the employee will perform successfully in the lower classified position. For example, did the employee previously hold a similar position, and did they perform satisfactorily?

Your notice letter and process are quite similar to those used for a suspension without pay, or a reduction of pay within class.

Dismissal

This alternative is normally selected after performance counselling and progressive discipline have failed to get the employee's attention to the problem. In extreme cases, such as job abandonment, theft, or an act that endangers others, the offense may be so grave that we forgo progressive discipline.

ESTABLISHING GRIEVANCE PROCEDURES

Let's assume employee violates his/her contract. As a result, the employer disciplines the employee. However, the employee feels that the discipline is unfair. The employee can in this case, file a grievance. A grievance is a formal complaint laid by an employee against the employer for violating labour law. Employees may lodge a grievance if they feel a decision made by management is unfair and biased.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 206 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

A grievance procedure is a step by-step process that employees can use to lodge such a grievance.

ESTABLISHING GRIEVANCES PROCEDURES FOR A NEW VENTURE

It is important that an organisation establishes grievance procedures for its new venture. The grievance procedures must consist of steps that must be followed by the employer, employee and the trade union (if any is involved) when handling a grievance. These steps must include the following:

1. The employee must write up the grievance which must include the following;
 - What happened?
 - When did it happen?
 - Who was involved?
 - Where did it happen?
 - Why is the complaint a grievance?
2. The written grievance must be handed to the employee's manager or supervisor. Both parties must set a time to meet to discuss the grievance. If the grievance cannot be resolved, the employee can appeal the decision to move to Step 2 of the process. The employee must submit the grievance to the next level of management within a specified number of days. The number of days is to be decided by the company and written in the policy.
3. If the employee is still unsatisfied with the decision taken by management, then he or she may appeal to move to Step 3 of the process. The employee must submit the grievance to the next level of management within a specified number of days. If the employee is still unsatisfied, he or she may appeal to move to the fourth and final step. The employee must submit the grievance to arbitration within a specified number of days.
4. The final step is called arbitration. Both parties must submit their unresolved dispute to a neutral third party or arbitrator for a final conclusion. After listening to all the evidence and both parties' arguments, the arbitrator makes a final decision. This decision must be accepted by both parties and cannot be appealed further.

IMPLEMENTING RECRUITMENT AND RETRENCHMENT PROCEDURES

Recruitment and retrenchment procedures are step by step processes that must be followed when hiring or retrenching staff.

RECRUITMENT PROCEDURES

It would be ideal if we could always choose the right applicant for the right job. But because the selection process involves the opinions and personal judgements of the interviewer, there is no fool proof way or perfect test that can ensure that the interviewer selects the right person. To increase the chances of success, an organisation need a recruitment or selection procedure to follow. An example of a selection procedure is described below. It is important to note that an organisation must develop a selection procedure that best suits its environment.

You begin the selection procedure by looking at all CVs provided and matching these against the job profiles you compiled during your human resource planning stage. You select those applicants who match the job requirements most closely and begin your initial screening of these applicants. you must base your questions on the skills, knowledge and abilities provided in the job profile.

At this stage you must get the applicants to fill out forms giving their personal details. You will use this information to help you make the final decision. Employees may also be asked to complete certain tests for example, psychological tests, knowledge tests, typing tests and arithmetic tests in order to help in determining their knowledge and skills.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 207 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

After this short round of interviews, you will have a short list of applicants who are most suitable for the job. you must then check if these applicants have any criminal records. Once you are satisfied that they have no criminal records, you must forward the short list of applicants to the department manager to give the final interviews and make the final selection decision.

RETRENCHMENT PROCEDURES

A reason to initiate retrenchment, relating to the business's "operational requirements", must exist for a lawful retrenchment to take place under South African law. Employers are able to terminate the services of an employee (retrenchment) for one of the following reasons: economic, technical or structural reasons. The procedure that needs to be followed for a dismissal based on "operational requirements" (retrenchments) is regulated in terms of section 189 of the Labour Relations Act.

The required procedure is as follows:

REQUIRED RETRENCHMENT PROCEDURE

Consultation

When?	Unless the employees request collective meetings or are unionized, meetings should be held individually with all employees that could be affected by the proposed retrenchment, It is a requirement that this should take place as soon as the employer contemplates retrenchment.
With whom?	Consultation must take place (in order of precedence): <ul style="list-style-type: none"> ▪ in terms of a collective agreement, ▪ with a workplace forum, ▪ with a registered trade union whose members are likely to be affected, or ▪ with employee who is likely to be affected
About what?	The parties are obliged to enter into meaningful interaction or joint consensus seeking process and to attempt to reach consensus on the following: <ul style="list-style-type: none"> ▪ avoiding the dismissal [examples could include adjusting working hours, eliminating temporary labour, eliminating overtime, offering early retirement, ▪ minimizing the number of dismissals, ▪ the timing of the dismissals, ▪ ways to lessen the effects of the retrenchment for those being retrenched, ▪ the method for selecting the employees to be dismissed, ▪ the payment of severance pays. (Where employees are offered alternative employment on substantially similar terms and conditions of employment, the Company is not obligated to pay severance pay.)

- Employees are entitled to the minutes of all meetings.
- CCMA may be asked to intervene on request from employer.

 <p>PHAKAMANI LEARNING ACADEMY</p>	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 208 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Retrenchment: Disclosing of information in writing

When contemplating retrenchments, the organisation must issue letters to all employees in the affected unit, advising them of the pending retrenchment and the date when consultations will commence. Decisions concerning retrenchment cannot/ should not be made prior to the consultative process taking place.

An employer has to disclose relevant information in writing, including -

- the reasons (for example, economic, technical or structural) for retrenchment
- alternatives considered to retrenchment and why those alternatives were rejected
- the number of employees likely to be affected and their various job categories
- proposed method of selection criteria
- timing of the retrenchment that is, the time when, or the period during which, the dismissals are likely to take effect
- severance pay proposed, (the statutory requirement for severance pay is one week for every year of completed unbroken service. The amount of severance pay is however subject to consultation and can be increased by agreement between the parties.)
- assistance that the employer will be offering (examples could include offering employees time off to attend interviews, early release should a new job be found, issuing letters of reference, psychological counselling etc),
- possibility of future re-employment and issues around re-employment.

Should there be a dispute about information provided, it will be up to the employer to show why information is not relevant. Disclosure of information disputes can be decided by either the Labour Court or the CCMA.

Opportunity for Feedback

The employer must give the other consulting party an opportunity to make presentations. Representations must be considered and be responded to by the organisation.

Criteria for selection

If no agreement is reached on the criteria for selection, criteria must be fair and objective. (The LIFO (last in first out) principle is often applied at the time of retrenchment, but is not the only consideration. Employees with key established skills or who occupy a specific specialized position may be retained, and a poor performance record may be taken into consideration.)

Offers of alternative employment should be made known and offered to all employees. Voluntary retrenchment offers must be considered initially during consultation before being offered to employees.

The terms must be clearly defined to ensure that there is no dispute thereafter.

Statutory notices of termination of services are handed to those employees who are to be retrenched once the consultation process has been completed and all employees' counter proposals, questions and concerns have been addressed in writing.

BASIC DEVELOPMENT PLANS

A development plan is a plan to develop an employee's skills when his/her performance is below the standard for specific job criteria. On the job training and classroom training to teach employees new skills and abilities are components of the development plan.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 209 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

COMPILING AND IMPLEMENTING BASIC DEVELOPMENT PLANS FOR A NEW VENTURE

Once you have assessed the employee's performances on all the job criteria specific to their jobs, you need to create a plan to develop their skills and knowledge to bring them up to standard. This four step employee development plan will put you, your employees and the whole department on track to achieve maximum potential.

Prepare the employee

To get the employee thinking about their own development and the areas where development can occur, here is a series of questions you will want to ask the employee.

- ✓ What are the skills needed to do your job? How well do you perform them?
- ✓ What aspects of your job do you like least/best?
- ✓ What major accomplishments have you achieved since your last performance appraisal?
- ✓ In what ways, can your supervisor and/or the organization help you to do a better job?
- ✓ What changes would you like to see in your current job?
- ✓ What are your job goals for this next year?
- ✓ Where do you see yourself in five years?
- ✓ What have you been doing to prepare yourself to move ahead in your career?
- ✓ What activities would help you develop yourself?

An excellent time to begin the developmental process is during the performance appraisal. Get the questions to the employee well in advance of the appraisal interview to give them time to prepare. Their answers will help guide the discussion.

Provide Development opportunities

There is a vast array of things you can do to help the employee develop and every employee is different. Here is a list of some developmental approaches you can consider.

Training

Training is obviously first on the list. Often training needs are simply defined by looking at the employee's performance or by understanding their experience or lack of experience with the specific job tasks.

Peer Coaching

Employees coach other individuals on their jobs. The benefits are two-fold. First, the employees develop skills in other areas and can fill in for their counterpart if that person is on vacation or out sick. Also, by in the process of teaching another person, the teacher themselves becomes more proficient.

Job Design Changes

Here, the employee defines all aspects of their job and makes suggestions as to how the job might be redesigned to enhance proficiency. You may be surprised by their creativity and superior ideas. Even though you may not be able to totally revamp a job, the employee understands the job better and you begin to recognize some of their concerns.

Representing the Department

Have the employee represent you, the team, or the department at an important meeting. Have them report back the proceedings to you and/or the team. In the process, the employee has a better understanding of how the team, the department, and their job fit into the big picture of the organization.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 210 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Delegate Special Projects

Make certain the project challenges the employee. The project must be seen as meaningful. Also, make sure the employee views the project as a reward for good work in other areas of their job. In doing so, the assignment becomes a motivating experience and not just more work.

Assist the Boss

Assign an employee to assist your boss or another executive on a special assignment where the employee will be exposed to new business perspectives of the organization's business.

Monitor Progress

Observe how the employee is doing. Schedule to meet at least once per quarter to discuss how things are going. Ask questions; review any quantity and quality measures that are relevant. Give ongoing feedback on what the individual is doing well and what they need to be doing differently. Feedback is critical to the success of the developmental process. If you do not follow up with them, you are essentially telling the employee the developmental process is not all that important to you. If it is not important to you, how can you expect the employee to take it seriously?

Create Confidence

Let them know you are always available. Give the employee the encouragement and support needed to feel confident in his or her ability to succeed. When things do not go as well as planned, focus on what went right. You are asking the person to go beyond their current level, take it one step at a time. Sometimes we must take smaller steps to ensure a successful outcome.

The ultimate success in developing the employee depends on the employee themselves. However, the success of the developmental process depends on the manager. Follow these guidelines to ensure success in developing your people.

THE ROLE OF EMPLOYEES, TRADE UNIONS AND EMPLOYERS IN THE WORKPLACE

Employers, trade unions and employees have different roles in the workplace and they must work together to ensure that the objectives of the organisation and the country at large are met.

THE ROLE OF EMPLOYERS IN THE WORKPLACE ACCORDING TO LABOUR UNION

Employers are responsible for obeying labour legislation and for communicating these laws to their staff. If a manager for instance, does something that does not conform to labour law, then the employer is responsible for the manager's actions, the manager should be disciplined or dismissed where necessary. An employer is expected to anticipate and prevent illegal action by the business and its employees. If an employee breaks the law, it is the duty of the employer to take disciplinary action against such an employee.

THE ROLE OF TRADE UNIONS IN THE WORKPLACE ACCORDING TO LABOUR LEGISLATION

Trade union leaders negotiate and bargain for their member's rights. In this way they are able to improve employee's working conditions and standard of living. Trade union's goals are to help their members find;

- ✓ Job security
- ✓ Improve their wages
- ✓ Give them better working conditions, and
- ✓ Obtain fair treatment from their employers.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 211 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

The LRA strictly controls the interaction between management and the union members. The act informs employers and union how to act towards each other and what they are and are not allowed to do.

THE ROLE OF EMPLOYEES ON THE WORKPLACE

The very basis of the employment contract (whether written or not) is that the employee has to:

- a) come to work, and
- b) be on time

In order to perform the duties which he/she has been hired to do, and he/she must remain at the workstation for the contracted number of hours per day in order to perform the requisite duties. If the employee does not do that, he/she cannot fulfil his/her contractual obligation, and is therefore in breach of contract. This obligation - to come to work and stay on the job whilst at work - does not only come out of the Employment Contract. It arises also from three other sources - Common Law, Statutes, and Company Rules and Regulations.

According to the common law;

1. An employee has a number of obligations under common law which he/she must meet, and it should be noted that these obligations exist even if they are not specifically stated in the Contract of Employment:
2. To provide the employer with his labour - i.e. To be at work.
3. To obey reasonable and lawful instructions.
4. To act in good faith (to protect his employer's interests.)
5. Not to misconduct himself/herself (to behave properly according to the accepted norms of society)
6. To perform his duties (to work in a satisfactory manner)

If an employee does not carry out his duties/responsibilities without tangible reasons or evidence he may have disciplined or where necessary dismissed by the employer.

MODULE 5 - PART 8		
	COMPLY WITH RELEVANT HUMAN RESOURCES LEGISLATION	SO 4
	Legislation that applies to employment is identified and explained.	SO 4 AC 1
	Employment conditions are interpreted and applied for own venture.	SO 4 AC 2
	Policies are implemented to ensure equity in new venture.	SO 4 AC 3
	Plans that relate to legislative matters are communicated to staff and relevant stakeholders.	SO 4 AC 4

COMPLYING WITH RELEVANT HUMAN RESOURCES LEGISLATION

INTRODUCTION

It is very important for organisations and their employees to know legislation so that both employers and employees know their rights. Organisations develop their own policies to ensure that management and employees comply with legislation and carry out fair labour practice. In this section some legislation that applies to organisations and its employees are going to be outlined.

Legislation is a law or a set of laws that are created to control behaviour and to ensure that people are treated fairly.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 212 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

LEGISLATION THAT APPLIES TO EMPLOYMENT

Some of the legislation to apply to employment includes;

- ✓ Skills development legislation
- ✓ Employment conditions
- ✓ Labour relations legislation
- ✓ Employment equity legislation, and
- ✓ Skills levies acts

SKILLS DEVELOPMENT LEGISLATION

The aim of the Skills Development Act is to improve the working skills of South Africans so that the economy can grow and all South Africans can live a better life. The Skills Development Act changes the old way of vocational training by introducing Learnerships and skills programmes. In other words, in line with the overall government objectives, the purposes of the Skills Development Act are as follows:

- To develop the skills of the South African workforce in order to improve productivity in the workplace and the competitiveness of employers.
- To increase the levels of investment in education and training in the labour market and increase the return on investment.
- To use the workplace as an active learning environment to provide opportunities for new entrants to the labour market to gain work experience.
- To improve employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education.

Employers employ Employees to make the effective and profitable operation of the organization or company possible. Employees offer their person and skills to the employer for this purpose, and expect a fair and market-related reward for their efforts. The entire process is governed by a framework of government laws and regulations, aimed at preventing injustices and ensuring future prosperity for the individuals, the organization, and the country. One of the primary laws governing human resource practices is The Skills Development and Employment Equity Act (EEA), which mandates employers to develop the relevant skills of their employees, within the National Qualifications Framework (NQF) and in compliance with standards set by the South African Qualifications Authority (SAQA). An essential element in any Skills Development programme is assessment, to determine what development is required and to ensure that training is conducted effectively.

According to the Skills Development Act (1998) and the Skills Development Levies Act (1999), employers are mandated to pay 1% of their payroll towards annual skills levies. Employers can recover this levy if they can prove that they have assessed and trained employees during the year. All employers are legally obliged to appoint a SDF (Skills Development Facilitator), to complete and submit a Workplace Skills Plan (WSP), and to report on training in an Annual Training Report (ATR).

A Major Challenge for Every Human Resource Manager is to comply with the Employment Equity Act (EEA) requirements, which resulted in 2007 in more than 66 companies being fined by the Department of Labour between R100,000 to R900,000 each for non-compliance.

EMPLOYMENT CONDITIONS

Employment conditions are terms of a contract of employment that affect or pertain to working conditions. In other words, these are part of an employment that sets out the duties, responsibilities, hours of work, salary, leave and other privileges to be enjoyed by persons employed, for example a veterinary nurse, in private practice. Most professional organizations provide a pro forma of such an agreement. These include;

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 213 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

- Working Time
- Ordinary Hours of Work

A worker must NOT work more than:

- 45 hours in any week.
- Nine hours a day if a worker works five days or less a week.
- Eight hours a day if a worker works more than five days a week.

This section does not apply to senior managers (those who can hire, discipline and fire), sales staff who travel and workers who work less than 24 hours a month.

Overtime

If overtime is needed, workers must agree to do it and they may not work for more than three hours overtime a day or ten hours overtime a week.

Overtime must be paid at 1.5 times the workers' normal pay or, by agreement, get paid time off.

More flexibility of working time can be negotiated if there is a collective agreement with a registered trade union. For example, this can allow more flexible hours for working mothers and migrant workers.

Compressed work week: You may agree to work up to 12 hours in a day and work fewer days in a week. This can help working mothers and migrant workers by having a longer weekend.

Averaging: A collective agreement may permit the hours of work to be averaged over a period of up to four months. A worker who is bound by such an agreement cannot work more than an average of 45 ordinary hours a week and an average of five hours of overtime a week over the agreed period. A collective agreement for averaging has to be re-negotiated each year.

Meal Breaks and Rest Periods

A worker must have a meal break of 60 minutes after five hours' work. But a written agreement may lower this to 30 minutes and do away with the meal break if the worker works less than six hours a day.

A worker must have a daily rest period of 12 continuous hours and a weekly rest period of 36 continuous hours, which, unless otherwise agreed, must include Sunday.

Sunday Work

A worker who sometimes works on a Sunday must get double pay. A worker who normally works on a Sunday must be paid at 1.5 times the normal wage. There may be an agreement for paid time off instead of overtime pay.

Night Work

Night work is unhealthy and can lead to accidents. That is, workers working between 18:00 at night and 06:00 in the morning must get extra pay or be able to work fewer hours for the same amount of money.

Transport must be available but not necessarily provided by the employer.

Workers who usually work between 23:00 at night and 06:00 in the morning must be told of the health and safety risks. They are entitled to regular medical check-ups, paid for by the employer. They must be moved to a day shift if night work develops into a health problem. All medical examinations must be kept confidential.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 214 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

Public Holidays

Workers must be paid for any public holiday that falls on a working day. Work on a public holiday is by agreement and paid at double the rate. A public holiday is exchangeable by agreement.

Leave

Annual Leave

A worker can take up to 21 continuous days' annual leave or by agreement, one day for every 17 days worked or one hour for every 17 hours worked.

Leave must be taken not later than six months after the end of the leave cycle.

An employer can only pay a worker instead of giving leave if that worker leaves the job.

Sick Leave

A worker can take up to six weeks' paid sick leave during a 36-month cycle.

During the first six months, a worker can take one day's paid sick leave for every 26 days worked.

An employer may want a medical certificate before paying a worker who is sick for more than two days at a time or more than twice in eight weeks.

Maternity Leave

A pregnant worker can take up to four continuous months of maternity leave. She can start leave any time from four weeks before the expected date of birth OR on a date a doctor or midwife says is necessary for her health or that of her unborn child. She also may not work for six weeks after the birth of her child unless declared fit to do so by a doctor or midwife.

A pregnant or breastfeeding worker is not allowed to perform work that is dangerous to her or her child.

Family Responsibility Leave

Full-time workers employed longer than four months can take three days' paid family responsibility leave per year on request when the worker's child is born or sick or for the death of the worker's spouse or life partner, parent, adoptive parent, grandparent, child, adopted child, grandchild or sibling.

An employer may want proof that this leave was needed.

JOB INFORMATION AND PAYMENT

Job Information

Employers must give new workers information about their job and working conditions in writing. This includes a description of any relevant council or sectoral determination and a list of any other related documents.

Keeping Records

Employers must keep a record of at least:

- The worker's name and job.
- Time worked.
- Money paid.
- Date of birth for workers under 18 years old.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 215 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

Payment

An employer must pay a worker:

- In South African money.
- Daily, weekly, fortnightly or monthly.
- In cash, cheque or direct deposit.

Payslip Information

Each payslip must include:

- Employer's name and address.
- Worker's name and job.
- Period of payment.
- Worker's pay.
- Amount and purpose of any deduction made from the pay.
- Actual amount paid to the worker.

If needed to add up the worker's pay, the payslip must also include:

- Ordinary pay rate and overtime pay rate.
- Number of ordinary and overtime hours worked during that period of payment.
- Number of hours worked on a Sunday or public holiday during that period.
- Total number of ordinary and overtime hours worked in the period of averaging, if there is an averaging agreement.

Approved Deductions

An employer may not deduct any money from a worker's pay unless:

- That worker agrees in writing.
- The deduction is required by law or permitted in terms of a law, collective agreement, court order or arbitration award.

Adding up Wages

- Wages are based on the number of hours normally worked.
- Monthly pay is four and 1/3 times the weekly wage.

Termination Of Employment

Notice

A worker or employer must give notice to end an employment contract of not less than:

- One week, if employed for four weeks or less.
- Two weeks, if employed for more than four weeks but not more than one year.
- Four weeks, if employed for one year or more.

Notice must be in writing except from a worker who cannot write.

Workers who stay in employer's accommodation must be given one month's notice of termination of the contract or be given alternative accommodation until the contract is lawfully terminated.

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 216 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number	4	

An employer giving notice does not stop a worker from challenging the dismissal in terms of the Labour Relations Act or any other law.

Severance Pay

An employer must pay a worker who is dismissed due to the employer's operational requirement pay equal to at least one week's severance pay for every year of continuous service with that employer.

Certificate of Service

When a job ends, a worker must be given a certificate of service.

Child Labour And Forced Labour

- It is against the law to employ a child under 15 years old.
- Children under 18 may not do dangerous work or work meant for an adult.
- It is against the law to force someone to work.

LABOUR RELATIONS LEGISLATION

The Labour Relations Act was created in 1995, and subsequently amended by the Afrikaans Labour Relations Act 1998, the Labour Relations Act - 1996, the Labour Relations Act 1998, the Labour Relations Act 2000, and most recently the Labour Relations Act 2002. Its stated purpose is to "give effect to section 27 of the Constitution" by regulating organisational rights of trade unions, promoting collective bargaining, regulating the right to strike and the recourse to lockouts, as well as providing mechanisms for dispute resolution and the establishment of Labour Court and Labour Appeal Court as superior courts, "with exclusive jurisdiction to decide matters arising from the Act". The act also addresses employee participation in decision-making, and international law obligations in respect to labour relations.

The Labour Relations Act does not apply to the South African National Defence Force, the National Intelligence Agency, or the South African Secret Service.

In simple terms, the Act sets out guidelines for employers, employees, unions and government to follow so as to achieve peace, justice democracy and economic growth. Certain employees and employers actions are allowed and other are not allowed by the Act. For example, employers have the right to lock out employees if they strike, and they have the right to restructure the organisation if they consult with the employees. On the other hand, employees have the right to join and union and they also have the right to strike.

EMPLOYMENT EQUITY LEGISLATION

The Employment Equity act is an employment policy that applies to all employers and workers which protects workers and job seekers from unfair discrimination. The Employment Equity plan also provides a framework for implementing Affirmative Action. The purpose of the Act is to achieve equity in the workplace, by

promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination; and

implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, to ensure their equitable representation in all occupational categories and levels in the workforce.

INTERPRETING AND APPLYING EMPLOYMENT CONDITIONS TO NEW VENTURE

Employment conditions discussed above must be interpreted and applied to each organisation. Employment conditions are of no use if they are not enforced and upheld by management and staff. For example, in order to

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 217 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

achieve employment equity in an organisation, women and disadvantaged people must be placed in jobs they would not normally find themselves; such jobs includes management and executive positions.

The employment Act was promulgated for the purpose of achieving equity in the workplace by promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementing action measures to redress the disadvantages in employment experienced by designated groups, to ensure the equitable representation in all occupational categories and levels in the workforce. According to the Act, no person may unfairly discriminate, directly or indirectly against an employee in any employment policy or practice, on one or more grounds including;

- Race
- Gender
- Pregnancy
- Marital status
- Family responsibility
- Ethnic or social origin
- Colour
- Sexual orientation
- Age
- Disability
- Religion
- HIV status
- Conscience
- Belief
- Political opinion
- Culture
- Language, and
- Birth

Every organisation must ensure that employment conditions are applied in the organisation because the success of the organisation directly depends on these conditions.

IMPLEMENTING EMPLOYMENT POLICIES TO ENSURE EQUITY IN A NEW VENTURE

As already highlighted above, employment equity policies are of no use unless they are enforced and upheld by management and staff. All staff need to be informed of the policies and all procedures need to be checked against the policies to ensure compliance. Procedures like recruitment and selection must be in line with EE policies in order to ensure that the company meets the EE objectives. The company's EE objectives must be stated in an annual employment equity plan.

This plan must include:

- Objectives to increase employment equity for each year
- Affirmative action plans
- Goals for achieving equal representation of all groups, and
- Making people, including senior managers responsible for monitoring and implementing the equity plan.

This plan must be submitted to the Director-General of the Department of Labour who then monitors the company's progress and compliance against its employment equity targets.

 PHAKAMANI LEARNING ACADEMY	Title and Section		LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)	
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 218 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020		Revision Number	4

PLANS ABOUT LEGISLATIVE MATTERS

An organisation is responsible for taking the legislation created by the government and makes it their own in the form of company policies and procedures. These policies and procedures, in turn need to be communicated and implemented in the workplace. In order to achieve this, careful planning must be done. Businesses must therefore develop plans for the creation, implementation and communication of policies and procedures. People must be made responsible in order to ensure that the plans are carried out.

COMMUNICATING PLANS ABOUT LEGISLATIVE MATTERS TO STAFF IN A NEW VENTURE

Good communication is extremely important in order to maintain staff satisfaction and high levels of performance. Informed employees are happy employees. If you want certain standards, rules and regulations to be upheld, the only way is to ensure that your staff are fully aware of the standards and their benefits.

Ways of communicating legislative matters to staff includes:

- Staff handbooks
- Induction programmes
- Letters, memos or notices
- Bulletin boards, and
- Meetings and discussions.

Legislative matters must also be communicated to relevant stakeholders for example, shareholders, unions and Legislative bodies.

	LEARNING ACTIVITY 5:	SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 113924
Instructions	Complete this task in the workbook provided. <ol style="list-style-type: none"> 1. List 5 values that are the most important to you. 2. How can one's personal ethics influence the use of language? 	
Method	Writing and Discussion with Mentor / Facilitator	
Resource	The web, your own research and your mentor / facilitator	

	LEARNING ACTIVITY 6:	SELF-ASSESSMENT QUESTIONS ON UNIT STANDARD 119713
Instructions	Complete this task in the workbook provided. <ol style="list-style-type: none"> 1. Define the term disciplinary procedures 2. Identify and explain legislation that applies to employment. 	
Method	Writing and Discussion with Mentor / Facilitator	
Resource	The web, your own research and your mentor / facilitator	

 PHAKAMANI LEARNING ACADEMY	Title and Section	LEARNER GUIDE: BUSINESS ACCELERATOR PROGRAM (ACCREDITED)		
	Next revision	09-10-2022	Created	09-10-2020
	Page number	Page 219 of 220	Reference	LG-BAP-01
	© Copyright Phakamani Impact Capital 2020	Revision Number		4