

LEARNER GUIDE

Module 4 Understand the Sector and Industry

New Venture Creation

SAQA ID: 49648

NQF LEVEL 2

Identify the composition of a selected new venture's industry/sector and its procurement systems.

Unit Standard 119667 Level 2 Credits 8

Tender for business or work in a selected new venture

Unit Standard 119712 Level 3 Credits 8

Administer contracts for a selected new venture

Unit Standard 119671 Level 3 Credits 10



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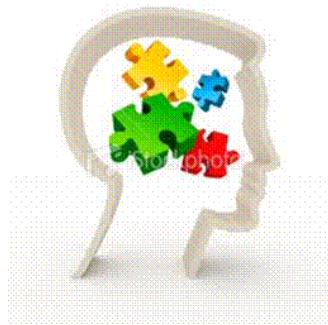
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INTRODUCTION

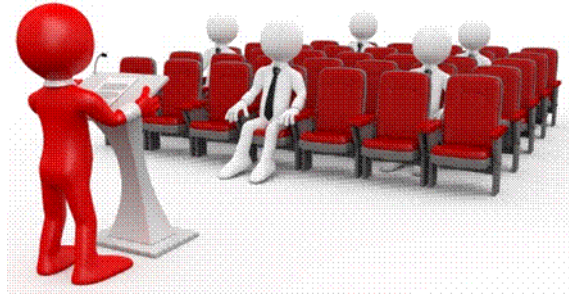
Welcome to the learning programme

Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take notes and share information with your colleagues. Important and relevant information and skills are transferred by sharing!



This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you!

Programme methodology



The programme methodology includes facilitator presentations, readings, individual activities, group discussions and skill application exercises.

Know what you want to get out of the programme from the beginning and start applying your new skills immediately. Participate as much as possible so that the learning will be interactive and stimulating.

The following principles were applied in designing the course:

- ✓ Because the course is designed to maximise interactive learning, you are encouraged and required to participate fully during the group exercises
- ✓ As a learner you will be presented with numerous problems and will be required to fully apply your mind to finding solutions to problems before being presented with the course presenter's solutions to the problems
- ✓ Through participation and interaction the learners can learn as much from each other as they do from the course presenter
- ✓ Although learners attending the course may have varied degrees of experience in the subject matter, the course is designed to ensure that all delegates complete the course with the same level of understanding
- ✓ Because reflection forms an important component of adult learning, some learning resources will be followed by a self-assessment which is designed so that the learner will reflect on the material just completed.

This approach to course construction will ensure that learners first apply their minds to finding solutions to problems before the answers are provided, which will then maximise the learning process which is further strengthened by reflecting on the material covered by means of the self-assessments.



Different role players in delivery process

- ✓ Learner
- ✓ Facilitator
- ✓ Assessor
- ✓ Moderator

What Learning Material you should have

This learning material has also been designed to provide the learner with a comprehensive reference guide.

It is important that you take responsibility for your own learning process; this includes taking care of your learner material. You should at all times have the following material with you:




<p>Learner Guide</p> 	<p><i>This learner guide is your valuable possession:</i></p> <p>This is your textbook and reference material, which provides you with all the information you will require to meet the exit level outcomes.</p> <p>During contact sessions, your facilitator will use this guide and will facilitate the learning process. During contact sessions a variety of activities will assist you to gain knowledge and skills.</p> <p>Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take and share information with your colleagues. Important and relevant information and skills are transferred by sharing!</p> <p>This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you!</p>
<p>Formative Assessment Workbook</p> 	<p>The Formative Assessment Workbook supports the Learner Guide and assists you in applying what you have learnt.</p> <p>The formative assessment workbook contains classroom activities that you have to complete in the classroom, during contact sessions either in groups or individually.</p> <p>You are required to complete all activities in the Formative Assessment Workbook.</p> <p>The facilitator will assist, lead and coach you through the process.</p> <p>These activities ensure that you understand the content of the material and that you get an opportunity to test your understanding.</p>

Different types of activities you can expect

To accommodate your learning preferences, a variety of different types of activities are included in the formative and summative assessments. They will assist you to achieve the outcomes (correct results) and should guide you through the learning process, making learning a positive and pleasant experience.



The table below provides you with more information related to the types of activities.

<i>Types of Activities</i>	<i>Description</i>	<i>Purpose</i>
<p>Knowledge Activities</p> 	<p>You are required to complete these activities on your own.</p>	<p>These activities normally test your understanding and ability to apply the information.</p>
<p>Skills Application Activities</p> 	<p>You need to complete these activities in the workplace</p>	<p>These activities require you to apply the knowledge and skills gained in the workplace</p>
<p>Natural Occurring Evidence</p> 	<p>You need to collect information and samples of documents from the workplace.</p>	<p>These activities ensure you get the opportunity to learn from experts in the industry.</p> <p>Collecting examples demonstrates how to implement knowledge and skills in a practical way</p>

Learner Administration



Attendance Register

You are required to sign the Attendance Register every day you attend training sessions facilitated by a facilitator.

Programme Evaluation Form

On completion you will be supplied with a “Learning programme Evaluation Form”. You are required to evaluate your experience in attending the programme.

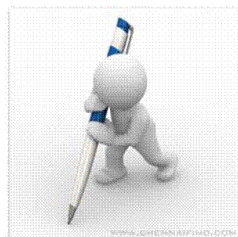
Please complete the form at the end of the programme, as this will assist us in improving our service and programme material. Your assistance is highly appreciated.

Assessments

The only way to establish whether a learner is competent and has accomplished the specific outcomes is through the assessment process. Assessment involves collecting and interpreting evidence about the learners’ ability to perform a task.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

This programme has been aligned to registered unit standards. You will be assessed against the outcomes as stipulated in the unit standard by completing assessments and by compiling a portfolio of evidence that provides proof of your ability to apply the learning to your work situation.



How will Assessments commence?

Formative Assessments

The assessment process is easy to follow. You will be guided by the Facilitator. Your responsibility is to complete all the activities in the Formative Assessment Workbook and submit it to your facilitator.

Summative Assessments

You will be required to complete a series of summative assessments. The Summative Assessment Guide will assist you in identifying the evidence required for final assessment purposes. You will be required to complete these activities on your own time, using real life projects in your workplace or business environment in preparing evidence for your Portfolio of Evidence. Your Facilitator will provide more details in this regard.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

Learner Support

The responsibility of learning rests with you, so be proactive and ask questions and seek assistance and help from your facilitator, if required.



Please remember that this Skills Programme is based on outcomes based education principles which implies the following:

- ✓ You are responsible for your own learning – make sure you manage your study, research and workplace time effectively.
- ✓ Learning activities are learner driven – make sure you use the Learner Guide and Formative Assessment Workbook in the manner intended, and are familiar with the workplace requirements.
- ✓ The Facilitator is there to reasonably assist you during contact, practical and workplace time for this programme – make sure that you have his/her contact details.
- ✓ You are responsible for the safekeeping of your completed Formative Assessment Workbook and Workplace Guide
- ✓ If you need assistance please contact your facilitator who will gladly assist you.
- ✓ If you have any special needs please inform the facilitator

Learner Expectations

Please prepare the following information. You will then be asked to introduce yourself to the instructor as well as your fellow learners



Your name:
The organisation you represent:
Your position in organisation:
What do you hope to achieve by attending this course / what are your course expectations?

UNIT STANDARD 119667

Outcomes

- ✓ identify and analyse the value chain within a selected industry or sector
- ✓ Identify the business principles and processes within a selected sector or industry environment
- ✓ Demonstrate an understanding of different procurement systems that may apply in specific sector/industry.

Purpose

Learners working towards this standard will be learning towards the full qualification, or will be working within a SMME (Small, Medium, Micro Enterprise) environment, specialising in New Venture Ownership and Management, where the acquisition of competence against this standard will add value to one's job. This standard will also add value to entrepreneurs who are seeking to develop their entrepreneurial skills so that they can become more marketable for bigger contracts, including commercial and public sector contracts, for example the Department of Public Works programmes. Learners competent in this unit standard are able to identify the structures within a selected industry or sector, the business principles and processes

Unit Standard Essential Embedded Knowledge

The learner must demonstrate an understanding of

- ✓ A basic understanding of procurement systems and processes
- ✓ A basic understanding of value chains within business sector/industry
- ✓ A basic understanding of typical organization structures as they could apply to new ventures and different industries
- ✓ A basic understanding of how to identify and analyse role-players within a specific industry or sector

Critical cross-field outcomes

- ✓ Identify and solve problems using critical and creative thinking processes to determine requirements of industry/sector within which new venture is being created
- ✓ Work effectively with others as a member of a team, group, organisation or community to ensure that industrial/sector criteria are met
- ✓ Organise and manage oneself and one's activities responsibly and effectively so that relevant industrial/sector and procurement information is incorporated into operations of new venture
- ✓ Collect, analyse, organise and critically evaluate industrial/sector and procurement information in order to effectively align new venture to overall industrial/sector needs
- ✓ Communicate effectively using visual, mathematical and/or language in the modes of oral and/or written persuasion to relate industrial/sector and procurement information
- ✓ Use science and technology effectively and critically, showing responsibility to the environment and health of others to gather necessary information relating to industry/sector requirements

- ✓ Demonstrate an understanding of the world as a set of interrelated systems by recognising that factors influencing the a new venture business operation do not exist in isolation and that industry/sector compliance issues need to be considered when starting new venture
- ✓ Participating as responsible citizens in the life of local, national and global communities by ensuring new venture creation is considered in the context of the industry/sector requirements

Learning Assumptions:

All learners accessing this qualification must be in possession of a GETC or equivalent qualification. The learner must be competent in Communication Literacy at NQF level 1

Review Date

U/S 119667: 2008-08-17

VALUE CHAINS

Outcome

Identify and analyse the value chain within a selected industry or sector

Assessment criteria

- ✓ Value chains are understood and explained within the context of own sector/industry.
- ✓ The chains of command within the supply chain are identified and explained in relation to own business.
- ✓ Chains of command include but are not limited to the range of influence that the various role-players have on new venture in respect of product/service delivery and the ability to sell the product/service to decision-makers, including the chain of command of the client, project manager, specialist etc.
- ✓ Sales pitches to clients are prepared and positioned according to the identified chains of command.
- ✓ Communication channels within industry/sector role-players are identified, explained and utilised appropriately to ensure effective sales results.
- ✓ The role of the chosen industry/sector in the National Economy and the effect of productivity on that role are identified so that sales pitches are effective.

Organisation Types

Businesses are grouped according to their industry. An industry is a group of businesses, companies or organisations that do the same kind of work or produce the same kind of products. For example, mining, forestry, manufacturing, retail (including Spazas), home industries, service industries, and so on.

Examples

- Pick N Pay, Checkers, Shoprite, Spar all form part of the same industry, which is retail.
- BMW, Volkswagen, Nissan also all form part of the same industry, which is manufacturing
- Greyhound, City to City, Translux all form part of the transport industry, together with Natrofreight and other freight hauling and transport companies.
- Hotels, guest houses and gambling houses all form part of the tourism and hospitality industry.

The Standard Industrial Classification

This classification divides businesses and organisations into the following industries:

- Agriculture
- Mining and Quarrying
- Manufacturing
- Electricity, Gas and Water
- Construction
- Retail and Motor Trade and Repair Services
- Wholesale Trade, Commercial Agents and Allied Services
- Catering, Accommodation and other Trade
- Transport, Storage and Communications
- Finance and Business Services

- Community, Social and Personal Services

Activity 1 (S01, AC1) (Group Activity)

Sectors Of Business

When we have determined what type of business we are dealing with, we can classify them further according to their activities:

- ✓ **Primary sector:** This sector is involved in exploiting natural resources in their raw and unprocessed form. This would be the dairy farmer, who is classified as agriculture according to the type of organisation..
- ✓ **Secondary sector:** This sector is involved in processing and converting these exploited natural resources into a final product. This would be Dairy Belle, who buys the milk from the farmer, processes and packages it and delivers it to the retailer. We classify them as wholesalers.
- ✓ **Tertiary sector:** This sector is responsible for conveying the final products from the manufacturer to the consumer. This would be the supermarket, the spaza shop, wherever you buy your milk. We classify them as retail trade.

Summary

Let's summarise all the above:

- ✓ BMW is classified as a manufacturer according to the Standard Industrial Classification because they manufacture vehicles; and they form part of the secondary business sector, since they use raw materials such as steel, cloth and leather, and convert it into a finished product. This product is then sent to their agents for selling purposes.
- ✓ These agents are part of the tertiary business sector and they are classified as Retail and Motor trade and repair services according to the Standard Industrial Classification. They form part of the retail industry.
- ✓ BMW will get the "raw" steel from ISCOR, which is classified under mining and quarrying and will form part of the mining industry, since steel is mined.

Value Chain (SO1-AC1, 2)

A couple of explanations to help you distinguish between types of businesses:

Manufacturers

A manufacturer processes raw materials into finished products, ready for resale or distribution to wholesalers or direct to retailers. Examples include:

- ✓ Furniture manufacturers
- ✓ Clothing manufacturers
- ✓ Car manufacturers

Wholesalers

Wholesalers are the intermediary companies that act between manufacturers and retailers or industrial users by assembling, storing and distributing products. Examples are Makro, Trade Centre. When you buy from a wholesaler, you have to buy in bulk. You are not usually able to buy only one or two items of a product. These days you can buy one or two items of a product from wholesalers such as Makro, but the prices are usually not that much cheaper than you would find at the retailer.

Retailers

Retailers usually break bulk products into saleable portions. Examples are:

- ✓ supermarkets,
- ✓ butchers,
- ✓ cell phone shops,
- ✓ spazas,
- ✓ convenience stores

Services

A service business is any business which sells a service to customers. These types of businesses usually generate income in the form of a percentage or a fee. Examples of service providers:

Taxis	Buses
Trains	Training companies
Hair dressers	Banks
Bookkeepers and auditors	Attorneys
Transport companies	Professional bodies

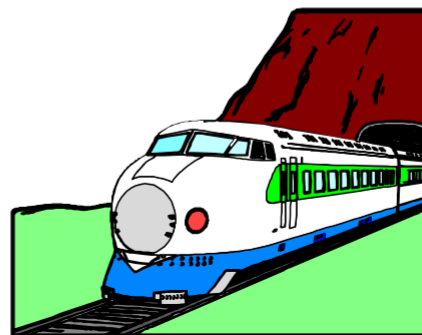
All the above businesses have a specific function or role to play in the value chain.

The process that products follow from the manufacturer to the retailer is called the value chain, since everyone along the way adds value (and costs) to the final product.

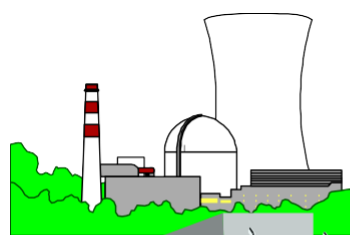
A **mining company** extract the iron ore from the earth.



- ✓ A transport organisation, usually **Transnet**, transports the iron ore to Arcelor Mittal. They have added value to the iron ore by collecting it from the mining company and transporting it to ISCOR.



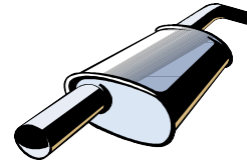
Arcelor Mittal converts the iron ore into steel plates and then raw products, for example to pressing plants. ISCOR has added value to the raw iron ore by converting it into steel plates.



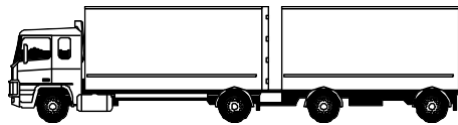
sells these as

- ✓ From Arcelor Mittal the steel plates are transported to pressing plants by **transport companies**.

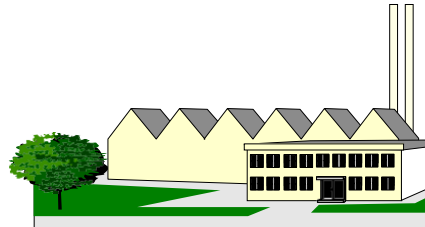
- ✓ The **pressing plant** will press out different parts such as doors, bonnets, fenders, boots, etc for use by the car manufacturer. The pressing plant has added value to the steel plates by converting it into different car parts.



- A transport company transports the different parts and components to the car manufacturer.

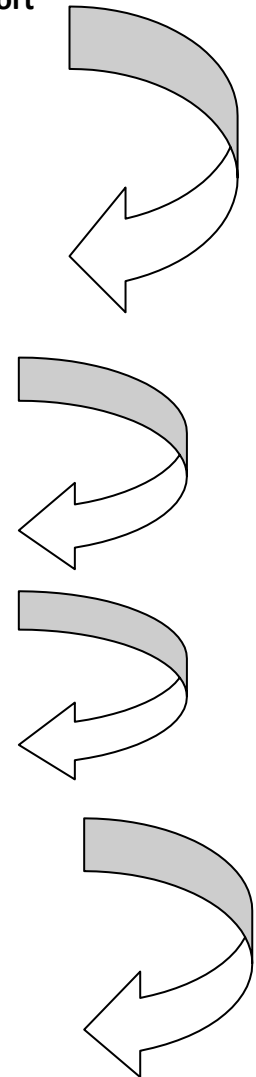
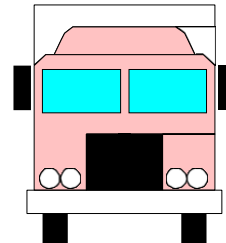


- ✓ **BMW** takes the parts and components and uses it to manufacture cars. BMW has now added value to the product by making something out of the car parts: a

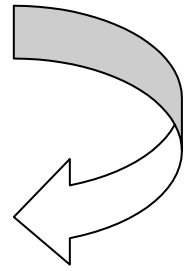
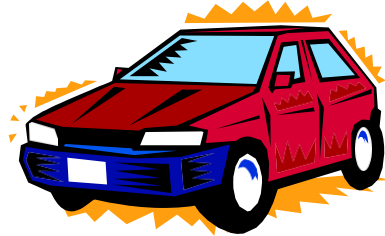


car.

- A transport company collects the cars from BMW and transports them to the agents, who are geographically closer to the consumer. The transport company has added value, by collecting the cars from the manufacturer and taking it closer to the consumer.

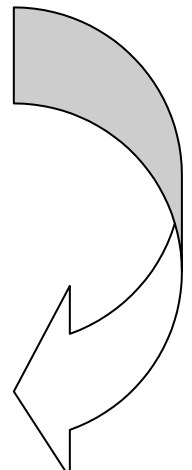
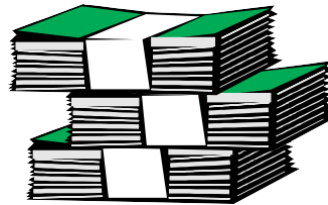


- ✓ The agent or **car dealer** adds value to the car by locating their premises close to you, the consumer, and having the type of car you want in stock.



Newspapers and magazines add value to the product by placing advertisements and articles of the cars available at the dealers, so that you know about the models that are available.

- ✓ Once you have bought the car, a short term **insurance company** adds value to the product by insuring the car against theft, accidents and so on.
- ✓ **Banks** add value to the product by providing finance for you to buy the car.
- ✓ So that you, the consumer can buy a new car.



From the above examples we can see that there is an entire value chain, from mining company to where you, the consumer, are able to buy and insure the car.

Other Factors That Also Influence the Value Chain

The value chain described above is the basic value chain regarding the products. There are other organisations that also have an influence on the value chain. These organisations influence all value chains in one way or another.

Trade Unions and Collective Bodies

Trade unions are organisations that represent the workers while collective bodies are formed by employers to represent employers in the case of labour disputes.

Trade unions and collective bodies have a major influence on the value chain. When the employees of Transnet go on strike, it has an influence on the entire value chain, since Transnet would transport iron ore from the construction site to ISCOR.

If the iron ore is not transported to ISCOR on time, the workers at ISCOR cannot meet their production targets, the pressing plant is not getting sheets to press, they cannot meet their targets, and so it goes on down the chain until it affects you, the consumer.

Government and Non-Government Organisations,

- ✓ Government will influence the value chain mostly by means of legislation.
- ✓ What industry or service will be allowed in which area
- ✓ How many businesses of a specific industry will be allowed in a specific area
- ✓ The infrastructure required before a business can produce products, such as roads, water, electricity, public transport is usually approved and provided by government

- ✓ Non-government organisations will influence the value chain through providing skills and knowledge training, feasibility studies and environmental impact studies. Feasibility studies are studies that determine whether there is enough trade to allow another car manufacturer or pressing plant to exist, serve the market and make a profit. Environmental impact studies analyse the impact of the industry on the environment. A typical case is the sand dune at St Lucia, where industrial development was stopped since the impact on the natural environment would have been too harsh. Another example is the proposed development of the wild coast.

Communities and Private Organisations (SO1-AC4)

Communities and private organisations also have an influence on the value chain:

- ✓ They can encourage or discourage certain types of enterprise in the area.
- ✓ Labour is usually drawn from the communities close by
- ✓ The types of products that a community buys will also influence the value chain

Professional Bodies

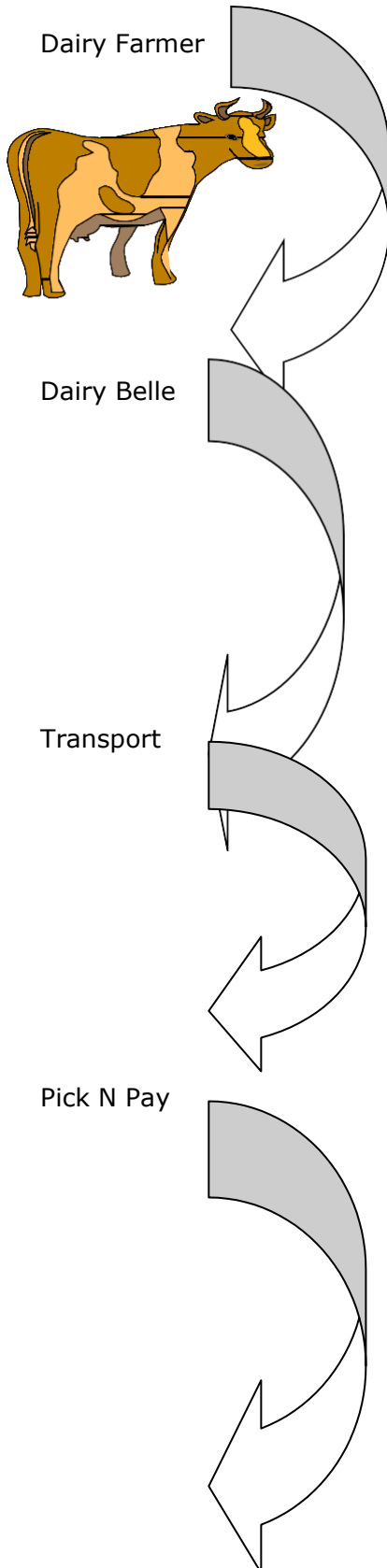
Professional bodies, such as a business chamber, develop for many reasons, the two main reasons being:

- ✓ To ensure the professional conduct of it's members
- ✓ To give its members the opportunity to network – to get together on a regular basis in order to discuss problems and opportunities available.

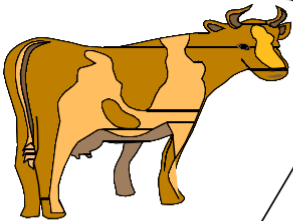
It is especially important for the smaller business person to join such an organisation as the support you can get from your fellow business people is invaluable. Also, most of the organisations in the value chain will be members of these bodies and this is an excellent opportunity to meet the decision makers in these organisations in a less formal environment. And, of course, chances are that some of the other entrepreneurs have had dealings with some of the bigger organisations in the value chain and can give you help, advice and support.

Many professional bodies also present workshops in order to assist the entrepreneur with his business activities.

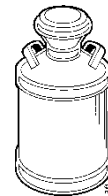
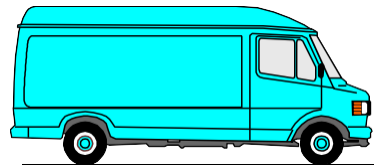
Let us look at **milk** for the next example:



Dairy Farmer

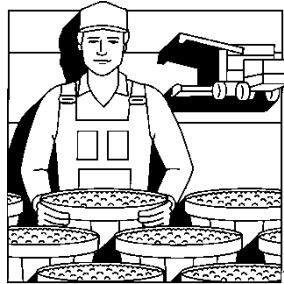


The dairy farmer milks the cow and pasteurises the milk. The farmer then takes the milk to Dairy Belle.



Dairy Belle

Dairy Belle buys the milk from the farmer, checks it for content and cleanliness, checks for bacteria and so on in the milk, packages the milk and then sends it to Pick N Pay and other retailers. The business activity of Dairy Belle is the processing and packaging of milk and other related products. They are classified as wholesalers and form part of the secondary sector of business.



Transport

The transport company collects the milk that has been packaged from Dairy Belle and takes it to Pick N Pay.



Pick N Pay

Pick N Pay purchases the milk from Dairy Belle and packs it in the fridges for the consumer to buy. They are classified as retailers and form part of the tertiary sector of business. The business activity of Pick N Pay is the buying of products wholesale and selling them to the consumer at retail prices.



Consumer

You, the consumer, buy the milk at a location close to you.

In this value chain of business activities, everyone, except the transport company delivers products. The transport company, of course, provides a service.

The whole purpose of this value chain is, of course, to bring the milk from the farm to you, the consumer, at a location close to you and in a packaging that is convenient to you.

If you want to, say, offer an experience to overseas tourists to sleep in a township, make sure that the sleeping quarters are neat and clean and that the food is prepared in a healthy manner. You can still offer them an authentic experience, but make sure that their comfort is catered to.

Activity 2 (S01, AC1-2) (Group Activity)

Chain Of Command (SO1-AC2)

All institutions, private, government or community organisations, have to buy certain things:

- ✓ Raw materials
- ✓ Machinery and equipment
- ✓ Services such as installation, repair, maintenance, transport

Manufacturing organisations need to buy goods and services for use in their production processes. Similarly, commercial firms require goods and services for re-selling. Service organisations, such as banks, hotels and transport firms, also have to purchase in order to continue their business activities.

There are many other institutions, such as governmental provincial administrations, local authorities, churches, charities, universities, which require goods and services to be able to continue their activities. These activities are not aimed at a return on investment, as is the case with businesses, but at the most efficient manner of carrying out their activities.

Purchasing Department

These days every organisation has a purchasing function and somebody who is responsible for buying the products and services that the organisation needs. In big organisations, there will be a purchasing (or buying) department, with a manager and staff that report to him/her.

Duties and Responsibilities of the Purchasing Department

This department will be responsible for the following duties with regards to purchasing:

- ✓ Determining the exact requirement of an organisation in terms of the most economical qualities and quantities of products and services. How much of what is needed.
- ✓ The continuous search for suitable suppliers. The more suppliers that are available, the better the organisation's bargaining position.
- ✓ Evaluating, selecting and negotiating with suppliers, in terms of reasonable prices, delivery dates and guarantees.
- ✓ Placing orders with the selected suppliers and following up to ensure timely delivery.
- ✓ Receiving and inspecting the incoming goods, in order to confirm that they comply with the ordering conditions and specifications.

- ✓ Holding and controlling the inventory of the business. The inventory is, of course, a list of the products that the organisation has in stock.
- ✓ Designing and applying the administrative systems which are required to support the purchasing transactions.
- ✓ The salvaging of materials and the disposal of redundant stock.
- ✓ Carrying out research on purchasing procedures in order to improve purchasing efficiency.

By doing their job properly, the purchasing department will:

- ✓ Ensure that the business activities of the organisation flow smoothly, without interruptions. They do this by ensuring that there are enough goods and services so that the various departments in the business can function without problems.
- ✓ When they buy goods or services, they must ensure that the quality and the quantity is enough and also that the price is as low as possible, so that they can get maximum value for the money they are spending.
- ✓ Ensure that good relationships with reliable suppliers are established and maintained.

The purchasing department of any organisation has an important function, since they will be spending the organisation's money. Purchasing costs in most organisations are very high and impacts directly on the profitability of the organisation. In the case of government and other non-profit organisation, the purchasing function can determine whether the organisation stays within budget or not.

The cost of purchasing in certain sectors is shown below:

- ✓ In manufacturing, purchasing costs amount to more than 60% of turnover.
- ✓ In mining, about 26% of turnover is absorbed by the purchasing costs of materials [capital purchasing is excluded].
- ✓ In the wholesale trade, more than 80% of turnover is spent on purchasing trade*goods.
- ✓ In retailing, purchasing costs represent about 77% of turnover.

This all means that the purchasing department cannot go out and spend money at will. They have clear goals and objectives: which products and services are required, when are they required, what is the maximum price, etc. The purchasing department has to report their spending to the financial department and, believe me, getting accountants and bookkeepers to spend money is no easy task.

So there is a chain of command in any organisation:

The Chain Of Command in an Organisation

The purchasing of goods in an organisation is much the same as in a home: the mother and father will decide when a house or a car has to be purchased and how much they can pay for these items. The parents also decide on the monthly groceries: what can they buy and how much can they pay for it. Maybe the children will each be given an amount to spend on clothes; they can then make the decision of where they buy and how much they pay for it. A child cannot go out and buy a house or a car; they do not have the authority or the money.

The production department will give the purchasing department a list of products that they require, while the other departments will give the purchasing department an indication of the goods and services that will be required. These requests are usually for a period of 12, 6, or three months, it is rarely for shorter periods.

The production department will have to confirm with the finance department how much funds are available for the products, goods and services. Then they have to source the products, goods and services, always ensuring that they get the goods at the quality required but for the best price and, of course the goods must be delivered on time.

The manager of the purchasing department will not make all the buying decisions himself; it will be too much work. Certain buying decisions will be made by junior managers, say for individual purchases of up to R1000. This amount will vary according to the organisation.

Furthermore, for very large purchases, such as ground moving equipment, the manager of the purchasing department will not have the authority to buy big and costly items. He/she will have to source all the available options and then do a proposal which goes to the finance department and the top management structure, who will make the decision. The limit to the purchasing manager's authority will also vary from organisation to organisation.

Activity 3 (SO1, AC2) (Group Activity)

The Chain Of Command in the Value Chain

It may sound strange, but there is also a chain of command in the value chain. This is because some organisations are larger than others and therefore have more authority and influence. If we look at the car manufacturing value chain, you will probably find that ISCOR has more influence regarding prices and purchasing decisions than the mining company, since ISCOR is a huge consumer of iron ore and can negotiate very good prices for the raw product. If the mining company does not want to deliver at those prices, they have to find alternative markets.

Similarly, BMW will have more authority and influence regarding buying decisions than the pressing plants and the transport companies, because BMW places large orders and can also determine the payment and delivery terms.

Trade unions can also influence the chain of command in the value chain. Employees of big retail clothing companies can force the management to buy only South African products and not any cheap imported products.

A project manager of a big building project in your area can also influence the decisions made by the purchasing department of the organisation who has to build the project. He can have certain specifications for raw products and services that the purchasing department is not allowed to overrule, even if they can get the products cheaper.

These are only a couple of examples of the chain of command in the value chain. The point is that there is someone in the organisation who has the authority to buy certain products and services:

- ✓ The larger the product or the amount to be paid, the higher up in the hierarchy the decision-maker will be,
- ✓ The smaller the product or the amount to be paid, the lower down in the hierarchy the decision-maker will be.

The Effect of the Chain Of Command on the New Entrepreneur

You have to be aware of the chain of command in the organisation that you want to do business with. It is important that you talk to the person who can make the decision when you deliver your sales pitch. If you are selling photo copy paper, you probably don't want to talk to the purchasing manager; you want to talk to the person who orders stationery.

Similarly, if you want to sell big caterpillar ground-moving equipment, talking to the person who orders stationery is not going to help you at all: you have to contact the project manager or the purchasing manager initially, to find out who the decision-maker is. If it is necessary for you to have an interview with someone higher up in the hierarchy, they will be able to direct you. Usually, however, you will present your sales presentation to the project manager or the purchasing manager and they will take the matter further.

Remember that every organisation has its own procedure and you have to find out how they work before you start making appointments to sell your product or service.

Activity 4 (SO1, AC 1-2, 4-5) (Group Activity)

The Sales Pitch (SO1-AC3, 5)

We have now determined that you have to know the value chain in the industry you want to open a business in, you have to know the chain of command in the value chain and the chain of command in the specific organisations that you want to sell your products or services to.

Before you go and see your client, you have to prepare a sales presentation. There is certain information you need before you can prepare your sales presentation:

- ✓ Does the client have a need for the products?
- ✓ Do you know in what quantities the client will require the products?
- ✓ Will you be able to deliver the quantities that the client needs?
- ✓ Will you be able to deliver in time?
- ✓ If the client wants to negotiate the price, how much can you drop the price?
- ✓ Is your price in line with the market?
- ✓ Will you be able to deliver the quality the client requires?
- ✓ What payment terms is the client likely to insist on?
- ✓ Will the payment terms suit you?
- ✓ Will you be able to negotiate better prices with your suppliers for large quantities?
- ✓ Will your supplier be able to deliver what you need in the quantities and of the quality as required?
- ✓ If not, will you be able to source other suppliers?
- ✓ If the client requires payment terms of 60 to 90 days, will you be able to negotiate similar payment terms with your suppliers?
- ✓ What will the penalties be if you deliver late?
- ✓ Who do you have to talk to at the organisation?
- ✓ Will the client require deliveries countrywide or only in one area?
- ✓ If the client requires delivery countrywide, how will you be able to deliver?

You can get a lot of this information from current suppliers to the organisation, and you can contact them through professional bodies and business chambers. Your local business chamber will also be able to assist you with the sales pitch, if you require help.

If you are unable to obtain all this information before the first meeting with the client, you will have to schedule at least two meetings with the decision-maker: the first meeting to find out exactly what the client's requirements are and the second meeting to negotiate the sale of the products or services on terms that are suitable to you and the client.

One more thing you need to know about the organisation is, of course, the internal communication channels. This will usually be similar to the chain of command, but you have to make sure that this is the case.

When you first contact the organisation to set up an appointment with the buyer, you will talk to the receptionist or the switchboard operator. They have been trained to screen calls, so that the decision-makers don't have to talk to everybody who contacts the organisation with the intent of selling them something. Some organisations have definite procedures that have to be followed and your first contact with such an organisation will advise you of the procedure to follow. You will usually find it difficult to get hold of the decision-maker if you are not prepared.

What Customers Want From Sellers

The following are extracts from *World Class Selling* by Roy Chitwood:

1. Customers want to narrow their own focus to the few things they do best, and outsource the rest without the added overhead costs of supervising their suppliers.
2. Customers want sellers to know their business well enough to create products and services they would not have been able to design or create themselves.
3. Customers want proof – hard evidence – that their supplier has added value in excess of price.

The Critical Salesperson Role

Corporate customers were asked to judge salespeople on combinations of seven factors. The seven most important factors to a customer are, in order of importance.

1. Managing our satisfaction personally
2. Understanding our business
3. Recommending products and applications expertly
4. Providing technical and training support
5. Acting as a customer advocate
6. Solving logistical and political problems
7. Finding innovative solutions to our needs

The Five Buying Decisions

When you sit in front of a client and he has to decide whether he is going to place an order with you, he goes through five steps while deciding. These steps are listed in their precise psychological order and they ALWAYS occur when you are selling:

About you, the salesperson. The client's first impression is not the product or service you sell, but YOU. You have come to sell him/her something. The client may be very friendly, but he/she is sizing you up at the same time. He/she wants to know that he/she can trust you and that you know what you are doing.

About your company. The client also wants to know that that your company is dependable, that it will support service after the sale has been completed. The prospect also wants to know: do you have faith that other customers will recommend you favourably? If your company is new, what does it offer that is better than its competitors?

About your product or service. Now that the customer is satisfied with who is representing the product or service, he is ready to focus on what you are selling: the product or service itself. The customer wants to know the factual details but he is also thinking of the quality of your product or service, the installation (if applicable), the delivery schedule and so on.

About your price. Only now is the customer ready to consider the price: is the product or service affordable? Customers don't really buy because of price, they buy because of VALUE. Buyers want more than a good price, they want value for their investment. Until the customer see the benefits, no price will be right. Don't push the price, sell value. As long as prospects are convinced they are buying real value, they will be less resistant to price.

About the time to buy. If the customer's answer to all the previous decisions is yes, you have almost closed the sale. The prospect has decided to buy – but when? If you can give the customer sound advice on why to buy now, he wants to hear it. Now is the time to ask for the order and to give a delivery date.

We all make these five buying decisions all the time. Use them to your advantage.

The Seven Steps of Track Selling

Track selling is the name that Roy Chitwood gave his selling approach. This approach is one of many, but it works well if you apply it correctly and if you take the following into consideration when you prepare your sales pitch: what customers want from sellers, the critical salesperson role and the five buying decisions.

Approach. Your customer's first buying decision is about you. Do you have integrity and good judgement?

Qualification. This is your information gathering period. In step two, you will qualify the customer as a genuine prospect and uncover the problems or needs that exist.

Agreement on need. In this step you will summarise the information you gathered in steps one and two to verify and clarify these facts. At the same time, you will be demonstrating your understanding of your customer's unique problems and needs. Your customers will buy not because they understand your product or service, but because you understand them.

Sell the company. Your prospect's second buying decision is about your company. Does it operate with integrity? Does it have the competence and capability to perform as promised? In step four, you will supply your prospects with the information they need to make this decision positively.

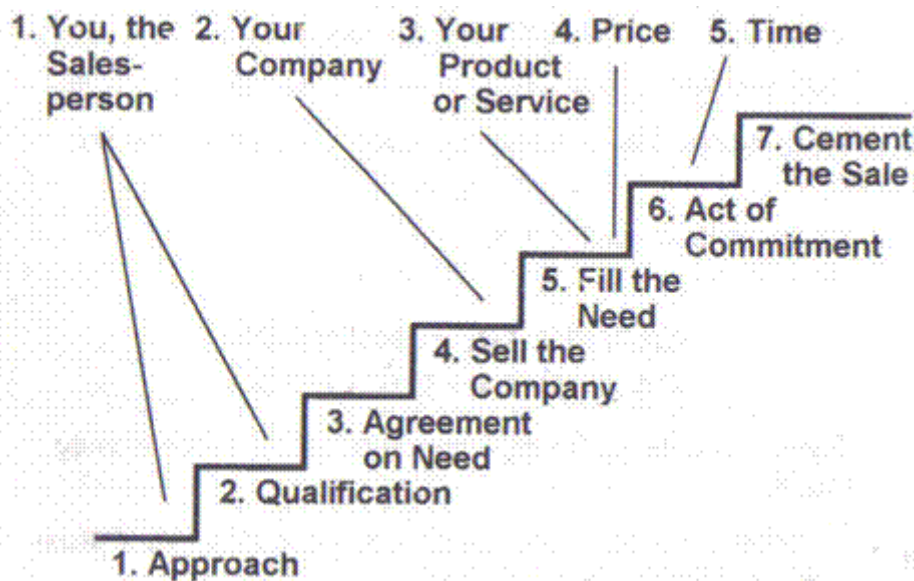
Fill the need. Your customer's next two buying decisions are about the product or service you sell and the price. In step five you will show your customer how your product or service solves their problems or fills their needs precisely and the value they will receive for the purchase price.

Act of commitment. The only buying decision left is when to buy. Now is the time to ask for the order or the act of commitment. In step six, you will ask for that order – five times if necessary – without applying any pressure.

Cement the sale. People buy emotionally and then justify their buying decisions logically. In step seven you will enforce the logical reasons that made their purchasing decisions wise, so that your sales will wear well.

To be effective, these seven steps must be followed in precise order. Your customer's five buying decisions are made in precise order and the seven steps are designed to carry your prospect smoothly through this series of decisions in that same precise, psychological order.

How the five buying decisions and the seven steps of track selling complement each other:



Additional Notes About Step Six

You will have the opportunity to close five times, if needed. The first time is so simple you may be surprised. The following statement will help you greatly. Roy Chitwood recommends that you use the precise wording to achieve maximum effectiveness and success:

If we can (summary of action to be taken), can you think of any reason why we shouldn't (summary of desired act of commitment)?

Such simple words: "If we can ... can you think of any reason why we shouldn't...?" and just like that, you have effectively asked for the order or act of commitment.

Examples:

- ✓ If we can guarantee delivery by the 15th, can you think of any reason why we should not go ahead?
- ✓ If we can schedule the training of your technical people next week, can you think of any reason why we should not order the equipment?
- ✓ If we can write your policy to be effective on Friday, can you think of any reason why we should not get your fleet protection in place for you?

Do not use words like *now*, *today*, *this afternoon* or *right away*. When you do this, you are taking your request for an order from a low-pressure request for a decision into a high-pressure selling situation.

Handling objections

What do you do if the customer raises objections or puts off the decision? The prospect might actually say: "Yes, I can think of reasons why we shouldn't". When this happens, the prospect is experiencing fear, uncertainty and doubt.

If you listen carefully, you will uncover valuable information that will enable you to get an act of commitment in the long run.

"Frankly, I never heard of your company until you walked through that door. What you are telling me sounds great, but this is an important purchase and I would like to do some more investigating before I make my decision." In this example, the customer has FUD (fear, uncertainty and doubt) about your company.

"The price is too high." The person has FUD about the price.

"I want to think it over." The FUD's are about the time to buy.

You can see that FUD's can be traced back to one of the five buying decisions. When you connect the objection with a buying decision, you will see that the customer did not make that buying decision positively.

Do not be deterred by FUD's. Use them to improve your techniques. FUD's will show you where your presentation was weak. When your customers express FUD's, what they are really saying is: "You have not convinced me to buy."

Acknowledge the objection. No matter what objection is raised, respond with one of the following statements:

"I see..."

"I understand..."

"I can appreciate that..."

You acknowledge the objection and nothing more. Do not react negatively to the customer's objection.

The second close

Acknowledge the objection

Re-establish your areas of agreement

Add a new feature / benefit / reaction sequence

Ask for the order again

Many times the customer will not reveal the real reason for not buying. So, if the second close also ends in an objection, acknowledge the objection as stated above. Then carry on to the third close.

The third close

Acknowledge the objection

Re-establish your areas of agreement

Uncover the real objection. Ask the customer: "There must be something you don't like. Would you mind telling me what it is? This statement offers two benefits. The first is that it allows you to demonstrate your sensitivity and understanding. The second benefit is that it brings the real objection into the open.

Handle the objection

Optionally, add a new feature, benefit or reaction sequence

Ask for the order again.

The fourth close

Acknowledge the objection

Cite the penalty for not buying or acting now

Optionally, add a new feature, benefit or reaction sequence

Ask for the order again.

The fifth close

Acknowledge the objection

Try something creative: a compromise: "How about trying this product or service in just one of your stores? See for yourself how well this works for you and then make your decision." Or discount. "Bob, I just can't walk out of here without getting your problem solved. How would you feel about placing your first order at a 20% discounted price?" Or the free trial: "How would you feel about trying this product or service free for a week and then making your decision?"

Ask for the order the final time. Let your own personality, the personality of your customer and the situation be your guideline. Keep this request short, direct and to the point.

Activity 5: (SO1, AC3) (Group Activity)

BUSINESS PRINCIPLES AND PROCESSES

Outcome

Identify the business principles within a selected sector or industry environment

Assessment criteria

- ✓ Methods of obtaining business are identified for own business context.
- ✓ The areas of venture funding are understood and explained with examples.
- ✓ All role-players in the success of the selected venture are identified in order to ensure that sales and negotiations are planned effectively.
- ✓ Where necessary, joint ventures or sub-contractor relations are established to deliver on larger projects.

How Do You Go About Getting Customers For Your Business Venture? (SO2-AC1)

The most important rule here is that your prospective customers must be aware of you. You will not generate any business if the people and organisations are unaware of your existence.

The methods of marketing your venture have been covered in detail in the “Match new venture opportunity to market needs” unit standard. Every business sector, from the primary to the secondary to the tertiary sector, has its own business processes and principles.

If you are a newcomer in the mining business, which falls under the primary sector, and you want to deliver iron ore to ISCOR, you would probably need a consultant to help you set up the contact with the client. This consultant will have knowledge of the business processes and procedures and will be able to help you get an appointment with the decision-maker, and will also be able to help you with your sales pitch.

If you are setting up a pressing plant, advertising your products will not be of much help to reach your clients, you will have to contact customers who will need your products. If you prepare your sales presentation properly, you can do this on your own, if you are unsure; get the services of a business consultant to help you with this.

Certain products and services can be sold effectively by advertising, while others require personal selling. You will have to find out which method works best for the industry and the sector that your business will be classified under.

A training company, for example, can effectively build up their business through advertising, if their customers are people off the street. If you want to target corporate companies, such as BMW, you will have to schedule appointments with the decision-makers. Many of these corporate companies have their own training departments anyway, so a lot of the training will be done by them. However, some training will be outsourced, such as SAPP training and you have to know this so that you can direct your sales pitch towards the right products and services.

Funding Your Venture (SO2-AC2)

Money is one of the most important resources that any business needs. Getting hold of the money necessary to fund your business can cause problems.

Banks

Banks will normally only provide financing if you can provide security: loans against your own money on deposit or insurance policies with accumulative surrender values or a second bond on your house. Banks do fund large equipment where the equipment will serve as security against the loan. For this, you will have to provide a business plan with cash flow projections and an accountant or bookkeeper can help you with this.

Suppliers

Suppliers will at times be prepared to supply goods on credit for 30, 60 or 90 days. This will have to be arranged with the supplier, though, and they will also require business plans and cash flow projections. Showing them confirmed orders will also help you to obtain credit. Sometimes suppliers will also supply goods on consignment, meaning that you receive the goods from them and only pay for it once it has been processed and sold.

Customers

Sometimes bigger corporate customers will be willing to pay for the products or services on delivery, although this does not happen often. If there is a big contract at stake, you can also negotiate and advance payment, such as a deposit with the client. Arrangements like this are not uncommon in big projects and you will have to negotiate with the decision-makers at the organisation if you are going to need an advance payment.

Joint Ventures (SO2-AC4)



If it is a big contract, chances are that the customer is making use of more than one supplier or contractor. You can always contact one of the other suppliers or contractors and go into a joint venture. This is when two or more smaller companies pool their resources, where one will be responsible for the production of part of the product or service and the other one is also responsible for part of the production or service delivery. This is a good way of taking the financial load off the shoulders of a small or medium enterprise. Of course, the terms and

conditions will have to be stipulated clearly and there will have to be a contract which gives all the parties recourse if one of the enterprises cannot fulfil the terms and conditions of the product or service delivery.

For example, if it is a big building contract, and you were awarded the contract for building houses, you can go into a joint venture with the company who have to install windows, or you can outsource another company to install the windows. You can even negotiate a joint venture with the company who supplies the bricks or cement. This means, in effect, that you don't have to carry the costs for everything involved in building the houses.

You can get advice about this from a business consultant, your local business chamber and sometimes even your suppliers or customers can give you information of other small and medium enterprises working on the contract or project.

Partners

You can also bring partners into the business, where you supply the knowledge and skills and they supply the funds. Of course, they will want a share of the profits as well. Arrangements like these should always be carefully and clearly documented in the form of a contract, in order to protect the rights of all the parties concerned.

Labour

One area which most people don't know about is the funding of employees. By appointing some employees who are involved in a learnership with one of the SETA's, you can cut down on labour dramatically. SETA's are always on the lookout for suitable employers for learners involved in learnerships. What happens is that a training service provider

will provide the training of the learners; the SETA will pay an allowance to the learners, which the employer can supplement by means of a small monthly salary to make up the shortfall of the learner. The employer gets a newly trained employee at very beneficial rates and there is also a rather big tax benefit to the employer.

Activity 6 (SO1, AC1, 3) (Group Activity)

Role Players (SO2-AC3)

Before you can even think of doing a business plan for your new venture, you have to identify the role players involved in the industry. If we look at the example of the value chain, we will see that the role players there are:

- ✓ Mining company
- ✓ ISCOR or steel processing plant
- ✓ Pressing plant
- ✓ Car manufacturer
- ✓ Car dealers
- ✓ Consumers
- ✓ Transport companies
- ✓ Trade unions
- ✓ The community
- ✓ Insurance companies
- ✓ Banks
- ✓ Your competitors

You will have to know the role players in your industry in order to determine where your business venture will fit in and also how the other role players will affect your business venture. Without this information you cannot set your goals and objectives, you cannot do your business plan or your marketing plan, you cannot identify your potential customers and suppliers and you cannot make a success of your business venture.

Activity 7 (SO2, AC2-4) (Group Activity)

SECTION THREE: PROCUREMENT SYSTEMS

Outcome

Demonstrate an understanding of different procurement systems that may apply in a specific sector/industry

Assessment criteria

- ✓ Methods for identifying procurement and logistical needs are described with examples
- ✓ An understanding of typical procurement documents that apply to industry is demonstrated and completed with examples
- ✓ Typical methods of recording and controlling delivery and usage of materials are described according to own business context

Logistics

Logistics has to do with the moving and storage of the product, from the point where the raw materials are purchased and delivered, through the production process, the sale to the next organisation in the value chain, the transport of the product right up to where the consumer buys and uses the product.

It follows, therefore, that logistics also has to do with the flow of information from the purchasing and delivery of the raw materials to the point where the customer uses the product.

There are three important concepts regarding logistics management, upon which the existence of logistics management depends. These are:

- ✓ The movement of goods
- ✓ Satisfactory customer service
- ✓ Reasonable costs.

Logistics management's most important task is to ensure that the correct level of customer service is maintained at all times, but at the cheapest possible price to the organisation. .

Logistical Activities

- ✓ The processing of customer's orders: so that they get what they ordered in the right quantity of the right quality and on time.
- ✓ Inventory management: how much of the product are you keeping in your stores, how much can you get from your suppliers at short notice, what is the minimum level of stock before re-ordering, all these fall under inventory management.
- ✓ Transport: how are the goods transported from the raw product along the production line to the finished product, how is the product transported to the store, how are you getting goods from customers and how are you delivering goods to your customers.
- ✓ Packaging: how is the packaging ordered, stored and used
- ✓ Purchasing: when, how, how much of the product or raw material is purchased at a time

✓ The supply of information: from purchasing raw products, to the production line, to the stores, to the ordering of packaging materials, to the transport of the raw materials and the products, every department must be kept informed.

The Flow of Information

We have said that the purchasing department has to buy the raw materials used by the production department, in the quantities that they require and of the quality that they require and in the time that they require.

There has to be a flow of information between the purchasing department and the production department, so that the purchasing department knows what to buy and at what price to buy. Then there also has to be a flow of information between the purchasing department and the financial department, so that the goods that have been purchased can be paid for. The finance department will also have to check on the purchase price of the product.

If it is a big organisation that keeps a lot of stock, the stores also have to let the production department know when certain products have to be re-ordered. As soon as the products that have been ordered are delivered, they have to go into the store and the store has to let the purchasing department and the production department know that the goods are in stock. The stores, who are receiving the goods, have to check that the goods are correct per the original order, that the quantity of the goods is correct and that the price is correct. If there are discrepancies, they have to be addressed immediately.

The purchasing department has continuous contact with the supplier to ensure that the goods have been ordered, are scheduled for delivery on time and to check the price.

A system of procurement documents and methods has been developed in order to ensure that every department that needs information will get the required information on time.

Procurement Documents (SO3-AC1, 2)

Requisition Form

Typically, the production department will order products from the stores department, using a requisition form. If the product is in store, the product will be delivered by stores to production with a delivery note. Production will check the delivery note:

- ✓ Were all the goods delivered?
- ✓ Were the right goods delivered?
- ✓ Was the quality of the goods as required?

Stock Level Report

As soon as the stock levels reach the re-ordering point, the store manager will send a stock level report to the purchasing department, who now has to order the product. If there is an order that is bigger than usual, the store manager will note this on the stock level report.

Order Form

The purchasing department will contact their suppliers to find one who can deliver the products as soon as possible at the best price, in the right quantities and of the right quality. As soon as everything has been negotiated with the supplier, the purchasing department will issue an order. A copy of the order is sent to the supplier, who will not deliver the product without an official order. A copy of the order is also sent to the finance department, since they have to arrange payment of the goods. Ideally, stores should also get a copy of the order, to check the delivery.

The order must contain:

- ✓ A serial number, which will become the order number.

- ✓ The date of issue: the date the order is placed.
- ✓ The name and address of the supplier.
- ✓ The description and quantity of the goods and services which are requested.
- ✓ The date of delivery: by when must the goods be delivered?
- ✓ The supply instruction: where must the goods be delivered.
- ✓ The price and the terms of payment: the price must be quoted as well as how and when payment will be done.
- ✓ The conditions for finalising the agreement: only if it is applicable.

Delivery Note

The supplier will deliver the goods with a delivery note. Stores will check the delivery against the original order that was placed. A copy of the delivery note is sent back to the supplier to confirm that the goods were received as ordered. Then stores will send a copy of the delivery note to the purchasing department so that they can close their files on this purchase. A copy is also sent to finance so that they can pay the supplier. Stores will then add the goods that were received to their inventory and update the stock level to indicate that there is now enough of this product in stock. If production is waiting for an order of these goods, stores will send it to them immediately, with a delivery note.

Production will also check that the goods are of the correct quantity and quality.

Letter

A letter confirming the order can also be used by the purchasing department, as long as all the relevant details are quoted on the letter and as long as all the departments that need a copy receive a copy of the letter.

Contracts

Sometimes with a big contract, a certain number of products have to be delivered on a regular basis. The procedure will be the same, with the only difference being that the purchasing department does not have to issue an order every time. The contract will specify the quantity, quality of the product as well as the time of delivery and the price. All the departments involved have to get a copy of the contract, specifying the delivery dates, price, quantity and quality. The goods are not ordered every month, the supplier delivers with a delivery note. Stores will check the delivery against the specifications in the contract, sign the delivery note and send copies to purchasing and finance. Stores will then update their inventory as usual.

Quotations

If a supplier cannot supply the goods on time or at the right quantity or the price is too high, the purchasing department will request quotations from other suppliers. The quote that the suppliers send to purchasing will include:

- ✓ A serial number.
- ✓ The date of issue.
- ✓ The name, address and contact person of your organisation
- ✓ The name and address of the customer.
- ✓ The description and quantity of the goods and services which are requested.
- ✓ The date of delivery.
- ✓ The supply instruction.
- ✓ The price and the terms of payment.
- ✓ The conditions for finalising the agreement.

- ✓ And also the period that the quote is valid for.

This enables the buyer to decide who to order from. As soon as the buyer has made a decision, an order will be placed and the process will flow as described. The buyer will also state the quote number on the order form.

Activity 8 (SO3, AC2) (Group Activity)

Expediting



Follow-up or expediting an order is a routine procedure in which the course than an order takes is monitored until the order is delivered. This is to ensure .that the goods are delivered on time. This means that the purchasing department contacts the supplier to ensure that the order is being processed and that it will be delivered on time.

Returns

There are two types of returns in most organisations:

Returns to Stores

When stores have sent too much of a product to the production line, or the production line starts to manufacture a new product line, the excess stock is sent back to the stores with a returns note. Stores will receive the goods and update the inventory of stock held.

Returns to Suppliers

When the supplier sends too much of a product or the incorrect product and the error is detected immediately, the goods will be sent back with the errors noted on the delivery note and the delivery note will not be signed.

If the error is noticed only after the delivery truck has left, the goods will be sent back to the supplier with a returns note. Stores will complete the returns note and send a copy to finance and purchasing, so that they are aware of the error.

Receiving

Check delivery (SO3-AC3)

Try to persuade your suppliers to deliver goods in the same order that the goods appear on the invoice or delivery note. This makes it easier to check the delivery and also to sort the goods for storage in your company.

The goods will be sent from the supplier with an invoice and/or a delivery note. You will offload the goods according to the delivery note and at the same time check that the goods that are delivered are what is stated on the delivery note.



As an example, if the delivery note states 20 loaves of white bread and the supplier delivers 10 loaves of white bread and 10 loaves of brown bread, this is an error and has to be noted on the delivery note. You also have to report this to your supervisor, who will report it to the person who placed the order as well as to the supplier.

Make sure that you note the difference on the delivery note and notify your supervisor before the supplier's driver leaves and before you sign the delivery note. It will be difficult to sort this out afterwards if you only notice the error once the supplier's vehicle has left.

The process for receiving deliveries should therefore be as follows:

1. You will usually receive a notification about the order that was placed from the purchasing department. You will keep this notification on hand until the goods are actually delivered.
2. When the supplier delivers the goods, you will first check the delivery note (or invoice) against the order you received from purchasing.
3. Once you are satisfied that there are no differences between the delivery note and the order, you will check the actual order as it is unloaded from the truck. Now you will check that the order that is being delivered is the same as on the delivery note.
4. As the goods are delivered, tick the items that are in order and sort them on the floor in the receiving bay. This is done so that the goods can be placed in storage easily. This means that you will stack peas with peas, sweets with sweets, etc. You will not mix goods in one stack. Your company will have procedures that have to be followed strictly. For example, they could require that all canned vegetables be placed together, that all boxed sweets be stacked together, etc. Or, if deliveries of individual items are really large, the requirement could be that you stack canned peas together, canned tomatoes together, etc.
5. If you encounter a discrepancy, do the following:
 - ✓ agree with the driver of the truck that there is a discrepancy – he may want to check inside his truck for the missing goods
 - ✓ inform your supervisor
 - ✓ Note the discrepancy on the delivery note
6. Once you are satisfied that everything has been unloaded and that all discrepancies have been noted and reported, sign and date the delivery.
7. The copies of the delivery note will be distributed as follows:
 - ✓ One copy for the supplier
 - ✓ One copy for your records
 - ✓ One copy that goes to purchasing to check the delivery against the order and to arrange for payment to be made
8. If you have to arrange for payment for the delivery, do this according to the procedure in your organisation.

Sales

When your organisation sells to a client, a similar procedure is followed. The client will issue an order. The sales department will forward a copy to stores and finances. Stores will book the items out of stock and send the goods to the client with a delivery note.

The finance department will issue an invoice that will be sent to the client with the goods and the delivery note, or separately with a statement.

The finance department will then follow up and ensure that payment is made.

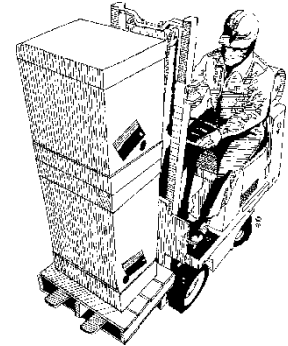
Goods that were delivered wrongly will be returned by the client, following the same procedure as above, and the finance department will then issue credit notes, if required.

Stock Control

All organisations that are involved in manufacturing, wholesaling or retailing have stock control systems. The records should show the following:

- ✓ The identification number of the product
- ✓ The product name
- ✓ The quantity of the product that is available

Sometimes the cost as well as selling price and the details of the supplier are also shown, although this varies from company to company.



Process of Stock Control

- ✓ When new stock comes in, the total of the product that was received is added to the total of the stock that was on hand, to get the new updated total.
- ✓ When stock goes out to the other departments, with the required documentation of course, the number that is taken out is noted on the stock record, as well as the department that the goods are being sent to.

It is of the utmost importance that stock control records are always kept up to date. These records are used to:

- ✓ Determine whether the level of stock is sufficient for the requirements of the business, or whether additional stock must be ordered.
- ✓ Allocate or reserve stocks for orders or factory requirements.
- ✓ Maintain the perpetual inventory. Unsold stock forms part of a businesses assets and is shown on the balance sheet of the business
- ✓ Determine whether certain stock items are no longer required or form part of slow moving stocks.
- ✓ Evaluate the efficiency of the stock holding operations.

The method used for maintaining stock records depends upon:

- ✓ The size of the organisation and the stores function.
- ✓ The number of items held in stock.
- ✓ The speed and volume of turnover.

The method may be anything from a small box of handwritten cards to a complex computer system. The guiding principle for selection of the method is that it should be as simple as possible and the flow of information must happen as quickly as possible.

Whatever the method of maintaining stock records, the procedure will be basically the same. There must be a "balance" of stock shown on the record. The record must be updated as materials are received or issued.

Activity 9 (SO3, AC3) (Individual Activity)

UNIT STANDARD 119712

Outcomes

- ✓ Procure and review a tender document
- ✓ Prepare and complete a tender document
- ✓ Submit a tender document

Purpose

This unit standard is a core standard and forms part of the qualification, FETC in New Venture Creation and is registered at level 2 on the National Qualifications Framework (NQF). Learners working towards this standard will be working within a SMME (Small, Medium, and Micro Enterprise) environment, specialising in New Venture Ownership and Management, where the acquisition of competence against this standard will add value to one's job. This standard will also add value to entrepreneurs who are seeking to develop their entrepreneurial skills so that they can become more marketable for bigger contracts, including commercial and public sector contracts, for example the Department of Public Works programmes

Unit Standard Essential Embedded Knowledge

The learner must demonstrate an understanding of:

- ✓ A basic understanding of tendering processes and principles
- ✓ A basic understanding of Public Sector procurement policies
- ✓ A basic ability to implement procedures to complete forms and documents
- ✓ An ability to align business objectives to tendering requirements and vice and versa.
- ✓ An ability to determine viability of tenders
- ✓ A basic understanding of risk analysis in relation to tendering from a new venture perspective
- ✓ A basic understanding of pricing and costing principles and financial calculations

Critical cross-field outcomes

- ✓ Identify and solve problems using critical and creative thinking processes to determine tender requirements as they relate to new venture business plan
- ✓ Work effectively with others as a member of a team, group, organisation or community to develop capacity to deliver on tenders
- ✓ Organise and manage oneself and one's activities responsibly and effectively in order to prepare and submit tender documents timeously
- ✓ Collect, analyse, organise and critically evaluate tender document information to ensure that opportunity is viable and that all conditions are complied with in completing tender bid.
- ✓ Communicate effectively using visual, mathematical and/or language in the modes of oral and/or written persuasion to prepare tender documents.

- ✓ Use science and technology effectively and critically, showing responsibility to the environment and health of others to prepare tender documents
- ✓ Demonstrate an understanding of the world as a set of interrelated systems by recognising that factors relating to tender opportunities do not exist in isolation and that wider economic, compliance and legislative matters may impact on ability to tender.
- ✓ Participating as responsible citizens in the life of local, national and global communities by ensuring that tenders can create growth opportunities for business and community at large

Learning Assumptions:

All learners accessing this qualification must be in possession of a GETC or equivalent qualification. The learner must be competent in Communication Literacy at NQF level 1

Review Date

U/S 119712: 2008-08-17

PROCURE AND REVIEW A TENDER DOCUMENT

Outcome

Procure and review a tender document

Assessment criteria

- ✓ 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

The Tendering System

What is a tender?

A government department cannot go to a shop and buy what is needed. Because public money is being spent, government and government departments have to try and get the best prices and quality for goods and services that they need. Government and government departments also have to give every business the same opportunity to provide the goods or services that are needed.

When a government department issues a tender, it means that the department is inviting business to provide goods or services on a contractual basis. When a business wants to supply a government department, it has to complete and submit the tender document that is issued by government. Once the tender document has been completed and handed in, it means that the business has made an offer to supply government with the goods or services that are needed.

The government department will consider all the tender documents that are submitted and will accept one. The government will then enter into a contract with the business.

Tendering is a structured, competitive and transparent process:

- ✓ It helps find supplies or services needed from outside government.
- ✓ Better prices and higher quality are also obtained because tenderers compete with each other in an open market.

Because of this, and to avoid confusion and unhappiness, there are strict rules that regulate the tendering process.

State Tender Board

In South Africa, the State Tender Board oversees the procurement of work for government. The Tender Board falls under the Department of Finance.

- ✓ Tenders are published in the SA Government tender bulletin every week on Fridays.
- ✓ At the same time, many tenders are also published in newspapers

- ✓ The general rule is that tenders should be published at least three weeks before the closing date, but it can happen that a shorter period is given
- ✓ One of the aims of the procurement policy is to ensure transparency and accountability
- ✓ The government also wants to redress the imbalances that were created under Apartheid by giving preference to previously disadvantaged people in terms of race, gender and disability.

The present procurement policy was clarified and defined by:

- ✓ the Preferential Procurement Policy Framework Act (No 5 of 2000) and
- ✓ the Preferential Procurement Regulations, 2001.

Procurement processes

Limitations of Past Procurement Processes

Procurement processes in the past encountered the following limitations (SAMDI, 2004):

- ✓ Conflict of interest amongst the members of bid adjudication bodies
- ✓ Overly bureaucratisation of procurement processes. Value for money was equated with the lowest price tendered.
- ✓ Procurement often operated in a silo, separated from other management activities and had limited or no linkage to budgetary planning
- ✓ Asset management focused on inventory control rather than on ensuring satisfactory return on capital investments
- ✓ The lack of uniformity in documentation caused uncertainty and inefficiencies on the part of bidders and public servants
- ✓ Consultants were not selected in a systematic and competitive manner

Key Objectives of The Supply Chain Management Policy

A new policy on Supply Chain Management was therefore developed to address the above limitations. The four main objectives are as follows (SAMDI, 2004:9):

- ✓ To transform government procurement and provisioning practices into an integrated SCM function
- ✓ To introduce a systematic approach for the appointment of consultants
- ✓ To create a common understanding and interpretation of the preferential procurement policy
- ✓ To promote the consistent application of 'best practices' throughout Government's supply chain

The Legislative Framework

Legislative changes to the tendering, procurement and contract management process, supply chain management have occurred to improve these processes. This means that all project managers must be aware not only of current legislation but also acquaint themselves with new regulations, amendments, acts and policy guidelines as they appear or are promulgated.

The following legislation guides the procurement, tendering and contract management process, and supply chain management in the public sector:

- ✓ Constitution of the Republic of South Africa, Act 108 of 1996
- ✓ Green Paper on Public Sector Procurement Reform in South Africa, April 1997
- ✓ State Tender Board, Act 86 of 1968
- ✓ State Tender Board Regulations
- ✓ General Conditions and Procedures (ST#^)
- ✓ State tender Board User Manual: Directives to departments (ST 37)
- ✓ State Tender Board circulars
- ✓ Provisioning Administration Procedure Manual
- ✓ Ten point Plan for Public Sector Procurement Reform, November 1995
- ✓ Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999
- ✓ National Treasury regulations (31 May 2000)
- ✓ Preferential Procurement Policy Framework, Act 5 of 2000
- ✓ Municipal Finance Management Act (2003)
- ✓ Preferential Procurement Regulations (August 2001)
- ✓ Policy to Guide Uniformity in Procurement Reform Processes in Government (2003)
- ✓ Regulations in terms of Section 76 (4) (c) of the PFMA, 1999 (Act no. 1 of 1999 as amended by Act 29 of 1999) (PFMA): Framework for Supply Chain Management
- ✓ Supply Chain Management – A Guide for Accounting Officers / Authorities (2004)

Principles of tendering

The key principles of a successful tendering process are:

- ✓ Tendering process should be informed by the department's policy and values
- ✓ The departmental staff affected should be treated fairly
- ✓ Achievement of maximum value for money
- ✓ Providers should be treated fairly and there should be equitable competition

Characteristics of the tender system

It is essential to understand the broad characteristics of the tender system to enable the prospective entrepreneur to evaluate his or her decision to enter the industry via this option:

- ✓ The tender system implies a contract for a **fixed period** of time.
- ✓ The very nature of the tender for contract system is therefore **non-permanent**.
- ✓ The tender environment is characterised by strong **competition**, even from outside the industry.

- ✓ It is necessary to **change the mindset** of employees from a career orientation to an opportunity driven or entrepreneurial mindset. In a typical tendered business, people may be required to do multiple tasks that may differ from the specialised nature of jobs in the pre-tender environment. For example, the large number of positions in the pre-tender era such as inspectors, regulators, radio operators, route controllers etc., may be combined into fewer positions due to the need to compete with lower cost structures.
- ✓ The **penalty system** requires strict adherence to operational, vehicle and other standards. Operators receive financial penalties for deviating from contract requirements. The penalty system requires that staff members in all positions are well trained and fully competent for their tasks.

Tendering processes and procedures (SO1)

Determination of Requirements

The user is responsible for drafting product or service specification. Whereas experts or regulatory or standard setting bodies may be contacted for assistance, no potential service providers may be contracted during the pre-tender period.

Preparation of Tenders

Language and format.

Prescribed tender form, issued in English -at least

Directives and conditions.

Directives must be adhered to. Compulsory briefing meetings or site inspections must form part of the conditions of the tender.

Criteria for evaluation of tender invitations.

Only the written conditions of the tender may be used in the evaluation of submissions

Information supplied to tenderers.

Includes: closing date and time, address, and validity period

Changes in tender information.

If changes to tender specifications or information are made, all tenderers who have collected tender information must be informed timeously and in writing. If this is not possible, the tender may be cancelled or postponed.

Publication, Closing And Opening Of Tenders

Publication of tender invitations.

The Government Tender Bulletin is required for national and provincial tenders. The national media may be used - for public and private sector invitations - if cost-effective. Tender documents should be provided free of charge – if possible – and tender boxes should be accessible for 24 hours a day, 7 days a week. One month for preparation must be given.

Closing of tenders.

Tender boxes close at the stipulated time. No late tenders are considered.

Opening of tenders.

The boxes are opened immediately after the closing time, in public and with at least two officials present.

Evaluation of Tenders

Evaluation body.

Evaluation bodies are appointed, and recommendations are made by the department awarding the tender.

Tenderer's credibility.

Tax matters must be in order.

Specifications and deviations.

Tenders must comply with specifications, but deviations that are an improvement on the specifications described are permitted.

Price.

Comparative prices must be calculated by deducting approved preferences and discounts and adding implied price adjustments.

Tender conditions.

Different conditions specified by the tenderer must be motivated. Samples requested as a condition of the tender must comply with the specifications.

Recommendation and Approval Of Tenders

Ethical conduct.

All tenders must be in writing. No tenderer may address the board. No person involved with a tender may adjudicate that tender.

Principles.

Recommendations made by the adjudicating committee must be based on the specifications in the tender invitation.

Decisions of the tender board or committee.

Minutes must be kept. The administrator of the board will issue the letter of acceptance.

Acceptance of Tenders

Letter of acceptance.

The letter of acceptance to successful tenderers must be sent by registered or certified mail.

Publication of tender results.

National and provincial tender results must be published in the Government Tender Bulletin. The media may be used for other tender results.

Enquiries about tenders awarded.

Reasons not to accept tenders must be supplied in writing if requested.

Cancellation of tender invitation.

This must be advertised in the Government Tender Bulletin by national and provincial governments and the media by other organisations.

(Summarised from Knipe, van der Waldt, et al, 2002:297-98.)

Request for proposal (RFP)

A **Request for Proposal (RFP) / tender invitation** is issued to prospective suppliers / vendors by an organisation, such as the Government, when it needs to acquire (buy) or sell specific goods or services.

The Gauteng Provincial Government is committed to Black Economic Empowerment and all advertised RFPs will be subject to the Preferential Procurement Policy Framework (PPPF) Act - Act no 5 of 2000. It was decided by the National Cabinet that a preference mechanism be introduced in the State procurement of all goods and services, to target especially those individuals discriminated against under the previous political dispensation.

In response to the RFP, a bidder / tenderer, being a person who offers supplies/services in writing to an organisation at a specific price, submits a bid / tender / proposal to the organisation. A bid / tender / proposal is a written offer on the official RFP documents from the bidder / tenderer to the Province and if accepted by the Province, a letter of acceptance and a binding contract comes into effect. A contract is a legal and binding agreement, which is entered into between the buying organisation and the successful bidder / tenderer in terms of the RFP.

Bids invited by the Gauteng Shared Service Centre (GSSC) and Gauteng Provincial Departments are subject to the General Conditions Of Tender, Contract And Orders (form VEND 02). It is of vital importance that prospective bidders study this document thoroughly in order to be fully acquainted with all the terms and conditions contained therein. This document can be obtained free of charge from the offices of the GSSC and Gauteng Provincial Departments from the following address

Government tender bulletin

The government publishes tender invitations, also called Request for Proposals (RFP's) in the

Government Tender Bulletin. The Government Tender Bulletin is published on a **weekly** basis and the current subscription is R34.20 per annum. This publication is obtainable from the following address:

The Government Tender Bulletin

POSTAL ADDRESS:

The Government Printer

Private Bag X85

Pretoria

0002

STREET ADDRESS:

The Government Printer

149 Bosman Street

Pretoria

Tel. No. (012) 334-4735, 334-4736, 334-4737

The Government Tender Bulletin is also available on the Internet on the following web sites:

- <http://www.treasury.gov.za>, and
- <http://www.gov.za/tenders/>

In the Tender bulletin you will find the following information:

- ✓ the RFP number,
- ✓ closing date and time,
- ✓ a short description of the requirement,

- ✓ where you can collect the RFP documents and
- ✓ The address to which RFP documents **must** be sent.

See handout 1 for examples.

At times RFP advertisements are also placed in the following newspapers: *Die Beeld*, *Sowetan* and *The Star*. However, all Provincial Government tenders **must** appear in the Government Tender Bulletin, so if you subscribe to the Tender Bulletin you will always have the latest tender information to hand.

The Gauteng Shared Service Centre (GSSC) and Gauteng Provincial Departments also advertise their Request for Proposals (RFPs) / tender invitations electronically on the following web site:

<http://www.globalerfx.com>

These bids are subject to the General Conditions of Tender, Contract and Orders (form VEND 02). If you want to bid on tenders, you first have to study this document so that you know what is required of you. You can get the General Conditions document free of charge from the following address:

It is of vital importance that prospective bidders study this document thoroughly in order to be fully acquainted with all the terms and conditions contained therein. This document can be obtained free of charge from the offices of the GSSC and Gauteng Provincial Departments from the following address:

75 Fox Street OR The Head Offices
 Marshalltown of all the GPG Departments
 2107

If you want to respond electronically to tenders advertised on the GSSC website, you will have to register on the www.globalerfx.com web-site. The registration is done free of charge. If you want to download the software, there will be a fee attached. See the website for more details.

If you have queries, you can contact the GSSC Contact Centre at 011 355-2222. They will be able to advise you of all advertised RFPs for Gauteng for which you can submit bids, as well as the closing date of each of these RFPs.

Set up a tender prospecting system (SO1 AC1)

To find out about tenders, you can:

- Follow up contract notices published in newspapers and trade magazines;
- Subscribe to the government tender bulletin;
- Search individual government department websites;

Tenders are published every week, either in print form or on the website. It is therefore necessary that all business owners who want to tender for business, sets up a system where the latest tender documents are obtained and studied in order to identify possible tenders that the business can tender for.

The easiest way to do this is to give an order to one of your employees to obtain the latest tender documents and advise you of possible tenders. To make sure that the documents are obtained and studied, you will probably have to do this yourself rather than giving the job to someone else.

Make a note on your computer, in your diary or on your cell phone for every Friday to remind you to obtain the latest tender documents. Take your time when studying the tender documents, if necessary do it over weekends, to make sure that you tender for products or services that you are able to deliver.

Whatever you do, be proactive. Just because tendering information is supposed to be made available as widely as possible, it doesn't mean that it will come to you automatically. Apart from keeping a keen eye on newspapers and the Tender Bulletin, you need to apply the age-old business principle of networking. Stay in contact with the

government buying offices that put out the most appropriate tenders for your business. In that way you can proactively stay informed about coming tenders.

Points system

This government policy introduced a system where tenders are evaluated in terms of points scored.

A package of adjudication criteria is worked out with a maximum total of 100 points. Each bid is evaluated according to the number of points it scores for each criterion, with the highest point-scoring bid winning the tender. See page 4 of this handout for an example.

National and provincial government departments must adhere to this policy as well as national and provincial legislation.

On the other hand, metropolitan, district and local municipalities have to draw up their own procurement policies, which must also be in accordance with the national legislation.

The criteria for adjudicating tenders are usually explained in SA government tender documents, so bidders are able to adjust their bids accordingly.

HDI

The definition of who qualifies as a “historically disadvantaged individual” (HDI) very important in order to apply government policies to favour historically disadvantaged persons.

An HDI is a South African citizen who is

- ✓ female,
- ✓ or has a disability,
- ✓ or had no franchise before the national elections in 1994.

The main advantage is given to people who were unable to vote under Apartheid (i.e. people of African, coloured or Indian origin).

By implication it also means that no black person who is under 28 years of age in 2004 (no one who was under the voting age of 18 in 1994) can claim HDI status in terms of race. This means that a white woman or a disabled person will score more points in terms of HDI status than a black man who is younger than 28.

Although preferential points may be claimed by individual owners or shareholders who are actively involved in the tendering enterprise or consortium, public companies on their own do not qualify for preferential points.

Equity ownership, and the role or position of whoever is actually doing the work within the consortium, determines the number of points allocated for HDI status. The maximum number of preferential points that may be allocated for HDI status is 20 points (out of a total of 100 points) for contracts of under R500 000 in value, and 10 points for contracts of over R500 000 in value. Larger contracts of over R2 million in value are generally “open” tenders, i.e. with such contracts no preferences apply.

There are a number of official forms that need to be filled in to accompany the bid: e.g.

- ✓ tax clearance certificate,
- ✓ declaration of interest,
- ✓ preference certificate (containing HDI status of shareholders or partners).

If these forms are not filled in or do not accompany the bid, the tender is generally not accepted.

The procedure for the closing of the tenders is usually as follows: at the closing date and time stipulated on the tender document, the tender box is opened in public and the tenderers’ names and the tender amounts are read out so that all present can hear what the various bids were. Thereafter, the adjudication of the tender is left up to the adjudication panel. The open, public nature of the closing of the tender enables bidders to see that a fair process is adhered to.

Classification of Tenders

Goods and Services

- ✓ For tenders under R30 000, the relevant government department will usually just approach three registered providers for a quotation. This is why it is so important to get your business registered on their database!
- ✓ Tenders of more than R30 000 must generally be advertised to all providers, even those not listed on the register.
- ✓ Large tenders (usually over R200 000) must be advertised and formally adjudicated by one of the Tender Boards.

Building and Engineering Tenders

- ✓ Tenders of over R2 million are classified as major and will be widely advertised as well as formally adjudicated.
- ✓ Tenders below R2 million usually classed as minor.
- ✓ Tenders of under R100 000 are considered micro.

How do you qualify for preference points?

The law requires the application of a preference point system for tenderers who are Previously Disadvantaged Individuals (PDIs) or women.

- ✓ Generally, for government tenders under R500 000, 80% of the tender will be adjudicated on price and 20% on the PDI or gender status of the business owner(s).
- ✓ For tenders over R500 000, the 90/20 price system applies.

You have to complete the relevant section (ST 11) if you want to be eligible for consideration under this system.

Procure a Tender Document (SO1-AC2)

When is a business ready to tender?

- ✓ Is a registered business
- ✓ Has a good banking record, credit history and relationship with its suppliers and clients
- ✓ Is able to deliver - on time, on budget and according to specifications
- ✓ Is up to date with its taxes
- ✓ Pays its bills on time
- ✓ Has the required cash-flow and other resources to complete the contract
- ✓ Is pro-active, actively looking for business opportunities
- ✓ Is able to deliver goods or services of consistent quality
- ✓ Has qualified employees
- ✓ Has, or can acquire, the right equipment, clothing and accessories to complete the tender
- ✓ Has registered its employees with the Department of Labour (UIF, Skills Development Levy, Workmen's Compensation etc.); and
- ✓ Has products that comply with SABS standards

Does my business have to be registered as a CC or company?

No. A sole trader or partnership may tender. However, the business has to be:

- ✓ Registered or licensed with the relevant local authority
- ✓ It must have a bank account; and
- ✓ It must be registered with the South African Revenue Services and must have an up-to-date tax clearance certificate.

Get hold of the tender document (SO1 AC2)

Once you have the prospecting system in place, you will identify tenders that you feel able to comply with.

Follow the procedure to get these documents and then scrutinise them to make sure you will be able to comply.

The procedures to get tender documents will be stated in the advertisement or on the specific website.

Review the tender document (SO1 AC3)

Decide If You Can Deliver the Goods or Services Required

Once you have the tender documents, you have to decide:

- ✓ Will you be able to handle the required workload – the tender document will tell you exactly what is required, how much is required and everything else you have to know in order to make a decision.
- ✓ Will you be able to deliver the goods or services at the required standards: the quantity (number) of goods as well as the quality that is expected will also be stated in the tender document?
- ✓ Will you be able to deliver the goods or services in time: the date and time when goods or services have to be delivered will also be stated clearly in the tender document?

NB: To be able to bid on tenders, you have to register your business with the Registrar of Companies at the Department of Trade and Industry.

Take Note of the Cut-Off Time

The Government Tender Bulletin gives addresses of where RFP documents can be collected and submitted after completion. The closing time on the due date is strictly 11:00 am and no bids / tenders / proposals are accepted thereafter. It is your responsibility as the bidder / tenderer to make sure that you deliver the bid / tender / proposal on time to the correct address.

Late Tenders

If you deposit your bid in the tender box after the closing time stated, your bid is late. If you mail your bid/tender/proposal, the documents will be put into the tender box when they are received. This means that you will have to mail the documents at least one week before the due date to make sure that your documents are not late. Then you will have to find out whether your documents were received and deposited in the tender box before closing time.

A late bid / tender / proposal shall not be admitted for consideration and where practical shall be returned unopened to the bidder / tenderer accompanied by an explanation.

Wait For The Letter Of Acceptance

Once a decision to award the RFP has been taken, a letter of acceptance is sent to the successful bidder / tenderer. It is then imperative on the successful bidder / tenderer to start planning in order to ensure that delivery is efficient and within the required time period and quality.

The Letter of Acceptance will generally be followed up with either a purchase order or a formal contract too.

Gain Access To Finance If Necessary

Financial support should be arranged before the bidder / tenderer receives an order.

Important Notes

It is the responsibility of bidders / tenderers to ensure that their bids / tenders / proposals are submitted before the closing time to the correct address. Bids / tenders / proposals received after the closing date and time are late and shall NOT be accepted for consideration.

NORMALLY ALL PROVINCIAL TENDERS CLOSE AT 11:00 ON THE CLOSING DATE, AS INDICATED IN THE RFP DOCUMENT – REFER TO FORMS RFP 01 AND RFP 02, AS DETAILED IN PART II.

All RFP documents as well as the relevant Preference Points Claim Forms must be signed in INK. Failure to sign the forms in ink may invalidate the bid / tender / proposal.

A definite price must be indicated in the RFP document (refer specifically to forms RFP 06 and RFP 07, as detailed in PART II) and statements such as 'to be negotiated' or 'to be advised' are not acceptable and will be disregarded.

Bids / tenders / proposals submitted by facsimile, telex or telegram will NOT be considered.

It should be noted that bids / tenders / proposals are valid for a certain period (normally 90 days - refer specifically to form RFP 02, as detailed in PART II), during which period the Province will evaluate and consider the bids / tenders / proposals received. Awards will normally be made within the 90 day period.

Queries may be addressed to the Gauteng Shared Service Centre* (GSSC) Contact Centre at 011 355-2222 :- please remember to state the relevant RFP number in order to find out if the specific tender has been awarded yet.

The GSSC Contact Centre will also be able to inform prospective bidders of all advertised RFPs for which bids may be submitted, together with the closing date of each of these RFPs.

Get help with completing tender documents (SO1 AC5)

You can contact the nearest Tender Advice Centre for assistance with completing tender documents. To find out where your nearest tender advice centre is located, phone the seda National Information Centre on telephone 0860 103 703.

- ✓ Other business people who have done this
- ✓ A business consultant
- ✓ A bookkeeper or accounting officer

The bookkeeper or business consultant will charge a fee for helping you, while another business owner will probably do it for free.

Activity 1 (SO1, AC1 – 3, 5): Individual activity

Subcontracting To a Larger Business (SO1-AC4)

At times the conditions of the tender may be too much for you to handle on your own. The number of goods that must be delivered could be too much for you alone, for example, or they might require more buses or delivery vehicles than you have. At times like this it makes sense for smaller businesses to work together in order to get the business. Or, you can work together with a larger business until you are able to tender on your own.

Activity 2 (SO1, AC4) (Group Activity)

Some advantages:

- ✓ It is easier to get into the market
- ✓ You have to lay out less of your own capital
- ✓ You can gain experience about the tender process and then later on you can tender on your own.

Some disadvantages

You have to follow the guidelines laid down by the bigger business, which means that you are not in a position to operate independently.

When you subcontract to a larger contractor, the larger company remains responsible for delivering the goods or services as per the tender. This means that the larger contractor “takes a chance” by using you, therefore the larger contractor will expect certain things from you. They will look at the following:

- ✓ Your track record: how have you conducted your business to date?
- ✓ Quality of your staff: is your staff competent to handle the conditions of the tender?
- ✓ Customer care: how good is your customer care? Do you put the interests of your customers first? Are your customers happy with your products/service?
- ✓ Are you and your company reliable? Can the contractor depend on you to deliver on time every time according to the standards laid down?
- ✓ The quality of your equipment and vehicles: is your equipment reasonably modern so that breakdowns will not occur? Are your vehicles in a good condition so that there will not be delays with transporting goods or passengers?

Of course, if you are the major bidder, you will want the same assurance from smaller companies that will help you to deliver the goods or services.

Activity 3 (SO1, AC4) Individual activity

PREPARE AND COMPLETE A TENDER DOCUMENT

Outcome

Prepare and complete a tender document

Assessment criteria

- ✓ 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

GSSC and GPG Tender Documents (SO2)

A **Request for Proposal (RFP) / bid invitation** is issued to prospective suppliers / vendors by an organisation, such as the Government, when its needs to buy or sell specific goods or services.

The Gauteng Shared Service Centre (GSSC)* and Gauteng Provincial Government (GPG) Departments use standard forms to put together a RFP / tender document pack, consisting of the following forms:

- RFP 01: Bid Cover Page
- RFP 02: RFP Point System Form
- RFP 03: Instructions to Bidders
- RFP 04: Bid Commitment and Declaration of Interest
- RFP 04.1 Compulsory Site Inspection - Declaration of Attendance (only part of the RFP Pack, when a compulsory site inspection is applicable)
- RFP 05: Specification Cover Page
- RFP 06: RFP Price Schedule
- RFP 07: Non-Firm Prices
- RFP 08: Vendor Information
- RFP 09: Tax Clearance – Application Form
- RFP 10: National Industrial Participation Programme form (only part of the RFP Pack, when an imported component in excess of US \$ 10 million is expected)

Documents to Claim Preferences

The Gauteng Provincial Government is committed to Black Economic Empowerment and all advertised RFP's will be subject to the Preferential Procurement Policy Framework (PPPF) Act - Act no 5 of 2000. The Gauteng Shared Service Centre* (GSSC) and Gauteng Provincial Departments use standard Preference Points Claim Forms to request prospective bidders to claim preferences in terms of the PPPF-Act.

Preferences will be awarded in order to promote Black Economic Empowerment.

Depending on the specific **primary** and **secondary objectives** of the PPPFA applicable to a RFP, the under noted preference forms may therefore be added to the RFP document:

See handout 1 for examples of tenders based on the preference points claims.

Primary Preferences Claim Forms:

PREF 01: **Purchases** - Ownership and Management of Organisations by Historically Disadvantaged Individuals (HDIs)

PREF 02: **Sales** - Ownership and Management of Organisations by HDIs

Secondary preferences claim forms:

PREF 03: The Promotion of Small Businesses

PREF 04: Locally Manufactured Products

PREF 05: The Empowerment of the Work Force by Standardising the Level of Skill and Knowledge of Workers

PREF 06: The Development of Human Resources including by assisting in Tertiary and Other Advanced Training Programmes in line with Key Indicators such as the Percentage of Wage Bill spent on Education and Training and Improvement of Management Skills

PREF 07: The Upliftment of Communities through, but not limited to Housing, Transport, Schools, Infrastructure Donations and Charity Organisations

PREF 08: Export Oriented Production to Create Jobs

PREF 09: Promotion of Enterprises located in a specific Province

PREF 10: Promotion of Enterprises located in a specific Region

PREF 11: Promotion of Enterprises located in a specific Municipal Area

PREF 12: Promotion of Enterprises located in Rural Areas

Pricing Policy

The process by which you will arrive at the sale price of tickets (your transport) is known as the pricing policy.

If the price of your goods or services is too high, it will frighten off the customers. On the other hand, the price of your goods or services should not be too low, because you have to make a profit that is big enough to keep the business going: you have to cover the costs of running the business and also pay some money to yourself.

Competition

You should always be aware of what the competition is charging and also what they are offering for the price. If they are charging more, do they also offer more, such a luxury buses, snacks or whatever. If they are charging less, are they also offering less: older buses, no snacks, etc?

The location of the business

Where are your offices located: in the centre of town where it is more expensive or in a cheaper area where rent costs less? The cost of your office rental will affect your selling price.

Image of the business

To many consumers price is not a significant factor. Some customers consider it important to be able to say that they shop at a certain store and then they do not mind paying a higher price. For this group of consumers other aspects, such as service, variety or product presentation are often more important.

Extract Information From Bidders Meetings And Tender Documents. (SO2-AC1)

Before you complete the tender documents you first have to read through it very carefully so that you know what is required and whether you can actually compete for this tender.

Many tenders state that successful applicants have to be present at the bidder's meetings as important information is discussed at these meetings.

You therefore have to make sure that you are able to attend these meetings, as failure to do so will result in you or your business being excluded from the bidding process.

The bidder's meeting is the best place to ask questions as well.

Make sure that you sign the attendance register.

Activity 6 (SO2, AC1) (Group activity)

List And Comply With The Tender Requirements (SO2-AC2)

Now you have to make a list of the tender requirements and then determine whether you will be able to deliver in terms of the tender requirements.

Once you have attended the bidder's meeting you have to really study the tender documents in order to comply with the specifications of the tender.

After studying the documents in detail, you will make a list of the tender requirements.

We have an example of a tender document that you will use to practice on while in the classroom. Refer to the activities that follow.

Do A Work Breakdown Or Product Itemisation (SO2-AC3)

A work breakdown or product itemisation is where you list in detail the work that has to be done or the products that have to be supplied.

To explain what is needed, you will once again refer to the activity where you will work on an actual tender document.

Activity 8 (SO2, AC3) (Group activity)

Calculate Unit Costs & Implement Profit Mark-Ups (SO2-AC4, 5)

This part is very important – if you cannot make a profit out of the tender, then you should not even think of tendering.

In order to calculate the profit margin, you have to calculate unit costs – what it will cost you to deliver the service or products, and then add a profit margin that will include your profit as well as other expenses such as rent, telephone and so on – all costs not directly related to the service or the product.

For the purpose of this module, we have used transport as an example as manufacturing and service costings are covered in a different unit standard in this qualification.

This is to give the learner as wide an exposure to costing as possible. The tender documents also refer to services provided in the transport sector.

The facilitator may substitute the costing section and the tender documents with something more suitable to the learner's chosen industry.

Charging for Transport

Building up route revenue statistics

You have to know if your routes are profitable and for this you have to keep accurate details of route revenue.

Route number, origin and destination:

You will need to keep track of each of these for this section.

Cash ticket revenue

This is the cash you received from those passengers who bought a single ticket in a direction.

Coupon revenue or revenue received from multi journey tickets (MJT)

This is the cash received from the sale of coupon tickets. That may include the following ticket types:

5 day ticket	6 day ticket
7 day ticket	22 day ticket
26 day ticket	10 trip ticket
20 trip ticket	

Subsidy revenue

This would be any subsidies paid by the government. That includes subsidies from the Department of Transport, RSCS, local authorities, provincial authorities and education departments.

Total revenue

The total of the above three categories of revenue.

TOTAL MONTHLY REVENUE

ROUTE NUMBER	ORIGIN	DESTINATION	CASH REVENUE	COUPON REVENUE	SUBSIDY REVENUE	TOTAL REVENUE

Charging For Transport

We will now look at the aspects that play a role in the charging for transport. Firstly the cost structure should be determined.

Determine the cost structure

When we work out the cost structure we usually divide the cost structure into the three different types of cost. That is:

- ✓ Variable costs (VC)
- ✓ Bus fixed costs (FC)
- ✓ Overhead costs (OC)

This will give us the total cost structure.

Then we need what is called cost ratios if we want to work out the charge-out rate for transport. A cost ratio is a formula that is used to calculate costs.

You will need the following ratios for your cost calculations:

- ✓ Variable costs per kilometre (VC/KM)
- ✓ Bus fixed costs per bus (FC/BUS/month)

- ✓ Overhead costs per bus (OC/BUS/month)

The cost ratios are calculated as follows:

<p>Variable costs per kilometre</p> <p><i>Total variable costs / total kilometres</i></p>
<p>Bus fixed costs per bus</p> <p><i>Total fixed bus costs / peak buses</i></p>
<p>Overhead costs per bus</p> <p><i>Total overhead costs / peak buses</i></p>

Activity 4 (SO2, AC4) (Individual activity)

Quoting For Private Hires

The next thing you have to know is how to quote for private hires. Follow these steps:

- ✓ Write down the name of the client.
- ✓ Write down the origin and destination of the private hire.
- ✓ Write down the total distance of the private hire and divide it between positioning and live kilometres.
- ✓ Calculate the cost to be allocated to the private hire:

Variable costs

The variable costs are calculated as follows:

- ✓ Write down the total variable costs for the relevant month.
- ✓ Write down the total kilometres for the same month.
- ✓ Divide the total kilometres into the total variable costs to get a cost per kilometre factor.
- ✓ Take the factor and multiply it by the total kilometres to be travelled on the individual private hire.
- ✓ This figure amounts to the total variable costs for the private hire.

Standing costs

The standing costs for the private hire are calculated as follows:

- ✓ Write down the total bus fixed costs for the relevant month.
- ✓ Write down the total overhead costs for the same month.
- ✓ Add the two abovementioned figures together to get the total fixed costs.
- ✓ Write down the total number of vehicles in the fleet.

- ✓ Divide the number of vehicles into the total fixed costs in order to get a factor per bus per month.
- ✓ Write down the number of working days for the fleet.
- ✓ Divide the number of working days into the factor per bus per month in order to get the standing costs per day.
- ✓ Multiply the standing costs per day by the number of days for which the bus is needed.
- ✓ This figure amounts to the total standing costs for the private hire.

Break even costs

The break-even costs are calculated as follows:

- ✓ Add the total variable costs and the standing costs for the private hire in order to calculate the break-even point.

Total costs for the client

- ✓ Write down the profit margin that you want to make on the private hire.
- ✓ Multiply the figure, which was calculated under break even costs with the profit margin.
- ✓ This figure amounts to the total cost for the client.

Day trips

The same cost structure can also be used to calculate day trips.

Activity 5 (SO1, AC4, 5) (Individual activity) Activity 5 (SO1, AC4, 5)
(Individual activity)

Activity 9 (SO2, AC 4-5) (Individual activity)

Complete The Schedule Of Quantities/Products/Services (SO2-AC6)

Right, now you have to complete the schedule of quantities, service or products as per the specifications of the tender document.

Compile the tender submission

When you bid on a tender, it always has to be done in writing and you will find that each tender document has a number of forms that have to be completed. These forms will vary depending on the type of tender, but some forms are standard requirements. The forms needed for a specific tender will be clearly stated in the tender document.

Make sure that you complete these forms correctly. Get help if you are not sure.

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 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.

Contract 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

You have to match the specifications of the tender document and you have to answer all the questions put to you.

At the end, summarise your bid and explain why your service or product will satisfy the needs of the client.

This comes right at the beginning of your tender document and also right at the end, just after the summary.

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.

Also make sure that you:

- ✓ 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.

Activity 7 (SO2, AC2) (Individual activity)

Activity 10 (SO2, AC6) (Individual activity)

SUBMIT A TENDER DOCUMENT

Outcome

Submit a tender document

Assessment criteria

- ✓ The 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

Check the tender document (SO3 AC1)

Before you submit the tender document, check everything one more time to make sure you have completed all the documents necessary.

Also recheck your calculations to make sure you will make a profit. If possible, get someone else to check your documents and especially your calculations.

Tender Submission Information (SO3 AC2)

Check the tender documents to make sure you know when and where the tender has to be delivered.

Submit the Tender (SO3 AC3)

Collect all the forms and make sure they are in the correct order.

place the tender in an envelope with the tender number on it and deliver it before the closing time at the place specified in the tender documents.

If you are sending by mail, make sure that you address the envelope correctly and send the documents in time for delivery per the tender instructions.

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.

Activity 11: (SO3, AC1-3) (Individual activity)

UNIT STANDARD 119671

Outcomes

- ✓ Obtain and analyse performance requirement of contract
- ✓ Apply basic risk management techniques in managing performance
- ✓ Demonstrate an understanding of contract changes and disputes
- ✓ Ensure compliance and administrative close-out of contract.

Purpose

Learners working towards this standard will be learning towards the full qualification, or will be working within a SMME (Small, Medium, Micro Enterprise) environment, specialising in New Venture Ownership and Management, where the acquisition of competence against this standard will add value to one's job. This standard will also add value to entrepreneurs who are seeking to develop their entrepreneurial skills so that they can become more marketable for bigger contracts, including commercial and public sector contracts, for example the Department of Public Works programmes

Unit Standard Essential Embedded Knowledge

The learner must demonstrate an understanding of:

- ✓ A basic understanding of contracts administration principles and techniques
- ✓ A basic understanding of how to interpret contracts and the conditions, terms and legal implications that apply
- ✓ A basic understanding of business monitoring and reporting processes
- ✓ Basic risk management principles
- ✓ Basic negotiation skills
- ✓ Interpersonal and communication skills
- ✓ Conflict resolution skills
- ✓ An understanding of how to draw up a basic risk management plan

Critical cross-field outcomes

- ✓ Identify and solve problems using critical and creative thinking processes to determine and manage contract performance requirements within a new venture
- ✓ Work effectively with others as a member of a team, group, organisation or community to ensure that contracts are managed proactively and according to pre-determined terms and conditions
- ✓ Organise and manage oneself and one's activities responsibly and effectively so that contracts are proactively managed and any problem areas pertaining to risk are timeously resolved
- ✓ Collect, analyse, organise and critically evaluate contractual obligations in the context of new venture and the overall business objectives
- ✓ Communicate effectively using visual, mathematical and/or language in the modes of oral and/or written persuasion to communicate contractual matters

- ✓ Use science and technology effectively and critically, showing responsibility to the environment and health of others to monitor performance and progress in relation to contract.
- ✓ Demonstrate an understanding of the world as a set of interrelated systems by recognising that contracts and their respective terms and conditions do not exist in isolation and that wider legislative, community and economic issues impact on the effective performance thereof
- ✓ Participating as responsible citizens in the life of local, national and global communities by ensuring that fulfilling of contractual obligations are ensured

Learning Assumptions:

All learners accessing this qualification must be in possession of a GETC or equivalent qualification. The learner must be competent in Communication Literacy at NQF level 1

Review Date

U/S 119671: 2008-08-17

ANALYSE CONTRACT REQUIREMENTS

Outcome

Obtain and analyse performance requirement of contract

Assessment criteria

- ✓ Contract document is obtained and interpreted in relation to original business proposal
- ✓ Contract document is analysed and a basic contract administration plan is drawn up to ensure effective contracts management
- ✓ Risks of non-compliance are evaluated against performance requirements and a basic risk management plan drawn up to avoid non-compliance problems

Activity 1(SO1, AC) (Group activity)

Once you have managed to secure a contract, whether through a tender or otherwise, you have to study the contract in detail. In a group, discuss why a contract should be studied in detail

There are many reasons for this: to know what has to be done, when and how it should be done, what the penalties are for non-delivery, start and finish dates, payment terms and conditions, reports that have to be handed in, dispute procedures, etc

Planning (SO1-AC1, 2)

Nothing in life happens without planning, you even plan attendance at a soccer or rugby match: you have to budget for the amount of the ticket, you have to make sure that you are not working that day, you have to arrange for transport there and back, you probably arrange to sit with friends and so on. All this involves planning

When you have secured a contract, the delivery of the terms and conditions of the contract must also be planned. You have to arrange for vehicles, drivers, administration procedures to comply with the documents that will be required before you can get payment and many other things. This is one of the reasons why you have to study the contract: so that you can plan how to deliver against the contract.

Plan the delivery of products or services

What do you have to take into account when you plan the delivery of the terms and conditions of the contract, also called the **deliverables**?

- ✓ What is the purpose of the contract – the goals and objectives
- ✓ What specific tasks have to be done in order to deliver against the contract
- ✓ Where will the resources come from: money, people such as drivers and administration clerks, vehicles and other equipment
- ✓ The contract will state exactly how the service or products must be delivered: the time of delivery, the date(s) of delivery, the quality of delivery
- ✓ What can happen to prevent the delivery of the product or service – in other words, what risks are there for your business

Action Plan

Once you know this, you can draw up a schedule for the tasks that have to be done. You will usually do this by means of an action plan.

Prioritising tasks

The first thing you have to do is to list the tasks in order of importance. This is called prioritising tasks.

One would think that the first thing you have to do would become the first task, but this is not always true. You also have to take into account how long a task will take.

If we use baking a cake as an example, the first step according to the recipe would be to get the ingredients together – the flour, sugar, butter, etc. BUT the cake also has to be baked at a certain oven temperature, so the first thing you would actually do, would be to turn the oven on to the correct temperature, as the oven takes some time to reach the temperature you want. If your first step is to turn the oven on, it will have reached the correct temperature by the time you have mixed all the ingredients together so you do not have to wait for the oven right at the end of the process.

So, when you prioritise tasks you have to take into account:

- ✓ Which tasks have to be done first
- ✓ How long will each task take
- ✓ Will you have to do certain tasks first because they will take longer to finish
- ✓ Which tasks will only have to be done at a later stage

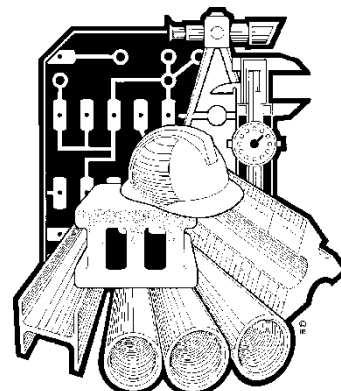
Here is an example of a task list in order of importance, with space where the finish date must be written in:

Task list	Date when it must be completed
1. list the first task, e.g. arrange insurance for the bus	State the date: 16 June 2...
2. list the second task, e.g. plan the route	State the date: 18 June 2.....

Allocate resources

Once you have prioritised your tasks, you have to state which resources you will need in order to finish the tasks: people, money, vehicles and equipment, etc.

You will allocate resources for each task you specified. This means you will add a table to your task list, to create space to list the resources.



Following is an example:

Task list	Completion Date	Who will be responsible	What will they need
1. Arrange insurance for the bus	16 June	Someone to phone the insurance company, e.g. Siphon (you as the business owner) to phone the insurance company	Telephone to make the call
			Transport to the insurance company to complete the forms
2. Plan the route	18 June	Someone to plan the route, e.g. Samson (the driver) will plan the route	A road map
			Writing materials: pencil, pen and paper

Criteria

How will you know that the task has been completed in a satisfactory way? You have to tell yourself and your staff how the task should be done.

Following is an example of the action plan:

Task list	Completion Date	Who will be responsible	Resources	Criteria
1. Arrange insurance for the bus	16 June	Siphon to phone the insurance company	Telephone to make the call	Confirmation of insurance from insurance company
			Transport to the insurance company to complete the forms	
2. Plan the route	18 June	Samson will plan the route	A road map	Completed route map
			Writing materials: pencil, pen and paper	

Identifying risks (SO1-AC3)

Now you have to write down what the risks for the business could be if these tasks are not completed in time and in the right way.

Task list	Completion Date	Who will be responsible	Resources	Criteria	Risks	How prevented
1. Arrange insurance for the bus	16 June	Sipho to phone the insurance company	Telephone to make the call	Confirmation of insurance from insurance company	Contract can be cancelled if proof of insurance not handed in by 18 June	Hand in proof of insurance by 17 June
			Transport to the insurance company to complete the forms			
2. Plan the route	18 June	Samson will plan the route	A road map	Completed route map	Driver can get lost on first trip, resulting in penalties	Test route by 19 June
			Writing materials: pencil, pen and paper			

Activity 2: (SO1, AC1-3) (Group activity)

RISK MANAGEMENT TECHNIQUES

Outcome

Apply basic risk management techniques in managing performance

Assessment criteria

- ✓ Risk management plan relating to contract is implemented in line with contract requirements.
- ✓ Common risk areas are identified and quantified against contract performance requirements and original risk management plan
- ✓ Contract progress reports are obtained and measured against performance requirements and risk management plan
- ✓ Surveillance of risk areas is conducted and appropriate corrective action is taken to avoid negative risk

Risk Management (SO2-AC1)

Any business activity, whether it is a regular business activity or delivering according to the terms of a contract, is subject to risks.

When a business is always in crisis, the risks of the business are not managed properly. Reasons for poor risk management are:

- ✓ Inability to decide what to do
- ✓ When to do it
- ✓ Whether enough has been done

In order to manage risks we have to understand what a risk is. In my view the most helpful definition is that given by Larry Krantz, Chief Executive of Euro Log Ltd in the UK.

Larry says that:

'A risk is a combination of constraint and uncertainty'.

We all face constraints (limitations or restrictions) in our businesses, and also uncertainty. We can minimise risk either by eliminating constraints or by finding and reducing uncertainty.

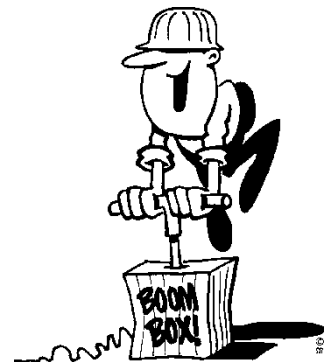
There are two stages in the process of Risk Management:

- ✓ Risk Assessment and
- ✓ Risk Control.

Risk Assessment (SO2-AC2)

Risk Assessment can take place at any time, though the sooner the better. Risk Control cannot be implemented without doing a Risk Assessment. Most people tend to think that once they have done a Risk Assessment, they have done all that is needed. This is not true. Like everything else in a business, risk has to be controlled.

Risk Assessment has three elements:



Identify Uncertainties

Explore the entire contract and look for areas of uncertainty.

Analyse Risks

Specify how those areas of uncertainty can impact on delivering the products or service as required by the contract.

Prioritise Risks

Determine

- Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention,
- And which risks are small enough not to impact too much on the business and will not need detailed management attention.

Risk Control

In the same way, Risk Control has three elements:

Reduce the effect of Risks.

There is always something you can do beforehand to reduce the effect of risk. For example, you can service and maintain your vehicles regularly to minimise vehicle breakdowns.

When you mitigate risk, you take whatever actions are possible in advance to reduce the effect of Risk. It is better to spend money on reducing the effect of risk than to sort out the problem later.

Plan for Emergencies.

Once you have identified risks that could impact severely on your business and you have taken steps to reduce the effect of the risk, also have in place an emergency plan.

You must have the emergency plan in place before the problem arises, so that you and everyone else know what to do in the case of an emergency. If a vehicle does break down, which vehicle will be sent to replace it, for example, how long will it take and who must drive the replacement vehicle. Other things that should also go into the emergency plan could be: how quickly will the vehicle be repaired and brought back into service, and so on.

Measure and Control.

Track the effects of the risks identified and manage them to a successful conclusion.

This means that you have check continuously whether the steps you have implemented to reduce the risk is working and, when a problem occurs, whether the steps stated in the emergency plan are taken so that the effect of the problem is minimal

If we use the servicing of vehicles as an example, you have to check that the services are done as stated in your plan. Then, if a vehicle does break down, was the replacement vehicle sent with the replacement driver, was the broken down vehicle fixed in time and brought back to service, etc.

We have shown these elements as three separate branches of the same tree. This is correct, but it is important to remember that the process is in fact an iterative one, and the Risk Assessment is only completed when you are satisfied that any undetected risks are now insignificant.

Summary

The risk plan should include, against each identified risk, an emergency plan to recover from the risk.

This plan will

- ✓ Name the person accountable for recovery from the risk,

- ✓ The nature of the risk
- ✓ The action to be taken to resolve it, and
- ✓ The method by which the risk can be spotted

A risk which has been reduced may still be a significant and dangerous risk and will still require emergency plans.

Activity 3 (SO2, AC1-2) (Group activity)

Controlling The Progress Of The Contract (SO2-AC3)

In the previous section you did an action plan for the contract and you identified possible risks. The process of managing a contract does not end there, however. Now you have to make sure that the tasks are completed as stated in the plan.

During the previous exercises you have developed a contract action plan and a risk management plan. What still has to be done is to control the progress of the contract. Progress reports required by the customer will be stated in the contract. Usually you will not be paid unless these progress reports are done regularly. These reports usually have to be sent together with the invoices, so that the client can check on the progress of the delivery of the products or services.

Activity 4: (SO2, AC3) (Group activity)

Monitoring Progress (SO2-AC4)

Controlling or monitoring should be as simple as possible

Monitoring methods allow you to follow the progress of important tasks as they evolve. Popular monitoring methods include:

Observation

Of what is happening as the tasks are done on a random basis. You can do this by asking questions of your staff about the activities and thereby keeping up-to-date with the progress.

Regular review

Of progress on a periodic basis, for example twice a week. You do this by comparing what was planned with what is actually happening. Reviews should include a definition of the problems encountered and the methods applied to resolve them.

Scheduled evaluations

Confirm whether the standards or quality that was determined beforehand are being applied after each task is completed. You do this by comparing the actual quality of the task against the planned quality of the task. In this instance, quality will include doing it on time and in the way required by the contract. Scheduled evaluations will involve interviews with the staff members who completed the tasks as well as the customer (beneficiaries of the contract).

Effective monitoring usually means that you will use a mixture of these approaches in practice. Any method used to check progress can be described as a monitoring procedure.

Keeping up-to-date with progress in the end depends on how useful or precise the information is that you gathered from monitoring the progress. Good or useful information depends on performance evaluation.

Events Control Chart

If you want to control the progress of the contract, you will have to draw up an Events Control Chart.

The Events Control Chart lays out a broad picture of completed tasks or activities as they take place and monitors the progress of a project by comparing actual completion dates with planned completion dates.

This chart should give you a summary of the progress and should indicate whether planned completion dates for specified tasks are on target or whether any such tasks require extra time.

Activity 5(SO2, AC3-4) (Group activity)

CONTRACT CHANGES AND DISPUTES

Outcome

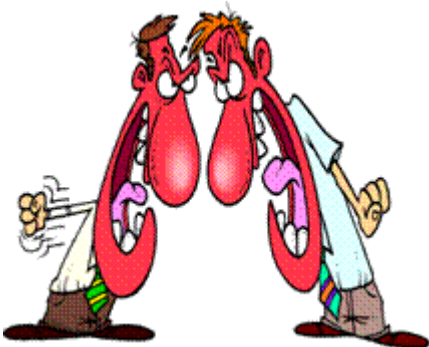
Demonstrate an understanding of contract changes and disputes

Assessment criteria

- ✓ Contract terms and conditions relating to changes and disputes are identified and understood in order to effectively manage the contract
- ✓ Change and dispute processes are implemented where relevant
- ✓ Changes and disputes are negotiated and documented in order to proactively address potential areas of dispute
- ✓ Where necessary, external advice is sought in dispute resolution to ensure that unnecessary negative business risk is avoided

Activity 6 (SO3, AC1) (Group activity)

Conflict (SO3-AC1)



Ultimately members of the human race are unable to live with each other without conflict. This tendency towards conflict is an ever-present danger in business and is yet another challenge for the manager. Individuals experience conflict when their opinions, values, needs or actions are in opposition to others. Teams experience conflict as they learn to work together.

What we need is a healthy approach to dealing with conflict

Conflict will become easier to manage if we see it as inevitable but not necessarily destructive, and as a problem to be solved rather than a battle to be won.

As a member of a workforce it is important to accept conflict, see it as an opportunity and manage it in such a way that it enhances the competence and commitment of all parties involved. All parties gain more by co-operation than by conflict.

Conflict:

- ✓ is inevitable and a reality of life;
- ✓ is not a dirty word, and;
- ✓ takes place for many reasons and has many forms

Conflict is constructive when it:

- ✓ Opens up and clears up important issues and helps to solve them
- ✓ Involves people in resolving issues important to them
- ✓ Increases involvement of individuals in important issues
- ✓ Makes communication more authentic
- ✓ Releases pentup emotion, stress or anxiety
- ✓ Helps build group spirit and togetherness

- ✓ Helps individual growth, provided there is reflection on the conflict
- ✓ Results in solutions to problems
- ✓ Causes positive and open communication
- ✓ Helps release emotion, anxiety, and stress
- ✓ Builds understanding among people though learning more about each other
- ✓ Involves people in resolving the conflict
- ✓ Helps individuals develop understanding and skills

Conflict is destructive when it:

- ✓ Takes energy away from important work or other issues
- ✓ Destroys morale or self-concept
- ✓ Results in separate groups being formed, thereby reducing co-operation
- ✓ Deepens differences in values
- ✓ Produces violence or name-calling

We are all conditioned as children to handle conflict and anger in particular ways according to our culture, but through thinking and talking we can change our way of behaving and learn to respond less automatically.

To work well in a team or in the workplace, you will need to work on your ability to tolerate stress. Helping resentful people to listen to one another requires that you handle your own feelings of conflict objectively, and with great discretion.

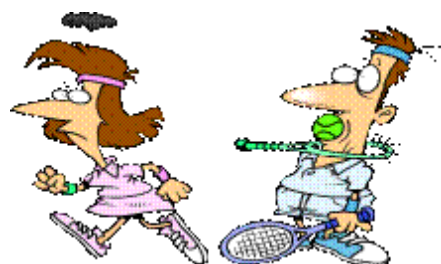
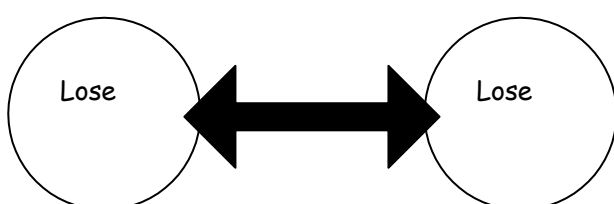
The common consequences of unresolved conflicts:

- ✓ The conflict often escalates in people's minds
- ✓ The unresolved conflict resurfaces each time a new conflict occurs
- ✓ Strained relationships and mistrust develop
- ✓ Prejudiced attitudes restrict the exchange of views and information
- ✓ Co-operation suffers and opportunities are missed
- ✓ Problems are not resolved and productivity suffers
- ✓ The conflict expands to other people and cliques are formed
- ✓ Performance declines and parties try to prevent one another from achieving their goals
- ✓ In business situations the customer suffers and finds another supplier

Outcomes Of Conflict

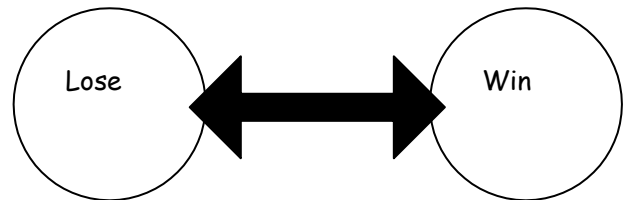
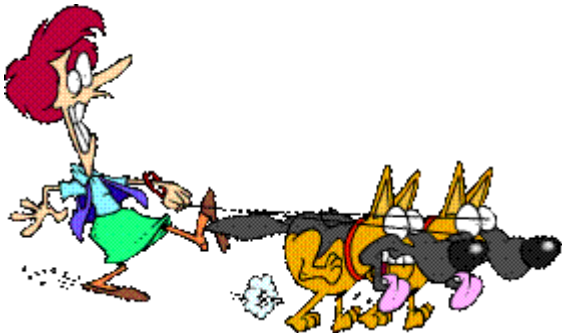
Conflict may produce three distinct outcomes, depending on the approaches taken by the people involved.

The First Situation Is Termed 'Lose-Lose' (L- L)



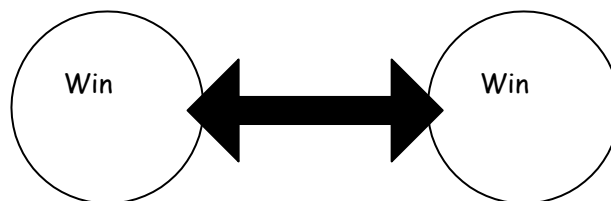
A conflict deteriorates to the point where both parties are worse off than they were before. An extreme example is the case of an executive who dismisses the only person who knows the secret formula for the organisation's most successful product.

The Second Outcome Is 'Lose-Win' (L – W)



One person (individual A) is defeated while the other one (individual B) is victorious. This is the outcome programmed in our minds when involved in conflict. It is often conceptualised by managers who use power as a tool for managing conflict.

The Third Outcome Is 'Win-Win'



Both parties perceive that they are in a better position than they were before the conflict began and the relationship is strengthened. This is the ideal outcome to try to achieve.

Managing Disagreement (SO3-AC2)

The outcome of conflict will largely depend on the way people **communicate** in the process of dealing with the conflict.

A disagreement or a conflict is frequently because of different perceptions. What A sees so vividly, B does not see at all. Therefore, what A argues has no connection to B's concerns, and vice versa.

People with different values, backgrounds and cultures tend to view problems in terms of their own life experiences.

In any conflict situation, you have the actual **cause** of the conflict and you have the people's **feelings** about the problem.

Never ignore or underestimate people's feelings about a matter. To the other person, as to you, his/her feelings are valid, legitimate and important. Usually, you will have to deal with the feelings before you can deal with the problem.

Think about a soccer game (or a rugby game), where the referee has made a decision that one team (and their supporters) do not agree with. The problem could be the decision made by the referee, or maybe the conduct of one of the team members. However, everybody's feelings get in the way and sometimes results in physical violence against people who actually have nothing to do with the conflict.

According to the rules of the game, the referee's decision is final and should actually not be questioned by anybody. In fact, it is a game that is supposed to relax us, not cause stress. Yet, how many times has a disagreement about a referee's decision caused conflict that led to physical aggression?

Whenever you find yourself in a conflict, always remember that you yourself as well as the other person has feelings about the conflict. Also remember that these feelings have to be dealt with before you even attempt to solve the problem.

Always bear in mind that the other party's feelings about the conflict is also valid, even though their feelings might be different from yours.

Your point of view is not the only valid point of view when looked at in the context of the human race, your point of view is probably only valid to you.

Never abuse another person because his/her point of view is different from yours.

Define the Conflict/Problem

Define what you think the problem is that a solution has to be found for

State what you think the problem is

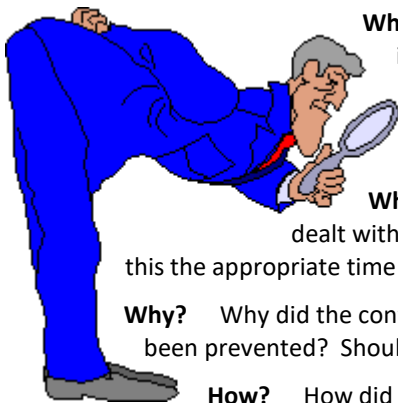
Speculate how the other party might see the conflict

Distinguish between facts and feelings and always deal with the feelings first. Active listening is a valuable aid when dealing with feelings, as it helps you to determine what the problem actually is and it also helps to calm defuse anger, if the other party happens to be angry

This step will establish an orientation toward resolving the differences.

Analyse the Situation

Ask the following questions (the 5 W's and an H) in order to further analyse the situation



Who? Who is involved? It is important that all parties involved in the conflict are identified.

What? What has happened? What were the circumstances?

Where? Where did the conflict occur? Could the place be significant?

When? When did this occur? Has it been going on for a while? If so, why was it not dealt with in a timely fashion? Is it too late to address the issue? Is it a recent occurrence? Is this the appropriate time to address the issue?

Why? Why did the conflict occur? Is it significant that these were the individuals involved? Could it have been prevented? Should it have been prevented?

How? How did the conflict occur? What happened that should not have? What was not happening that should have been happening?

By analysing the situation, it is possible to discover that what you thought the original problem was is not actually the problem. If this is the case the next step would be to redefine the conflict based on the new information acquired.

Think of Alternatives

Think of a number of options by asking yourself the following questions:

- ✓ Has this situation happened before? If the answer is yes then what was done about it?
- ✓ Is there an existing policy or procedure that would help determine the solution?

- ✓ How will similar situations in the future be affected by the solution? Will a precedent be established?
- ✓ Identify as many ideas as possible
- ✓ Combine ideas and improve them
- ✓ Keep visual record of ideas
- ✓ Be creative
- ✓ Don't evaluate or criticise until the next step where ideas are discussed.

Project the Results of Each Alternative

This ensures the success of your efforts

By selecting each alternative and asking the question, 'What if _____?' you can potentially project the end result of your selection.

Select and Agree On the Alternative

Select the most appropriate option. Remember that both parties must agree on the option that is chosen.

Implement and Evaluate

Determine the success or failure through evaluation

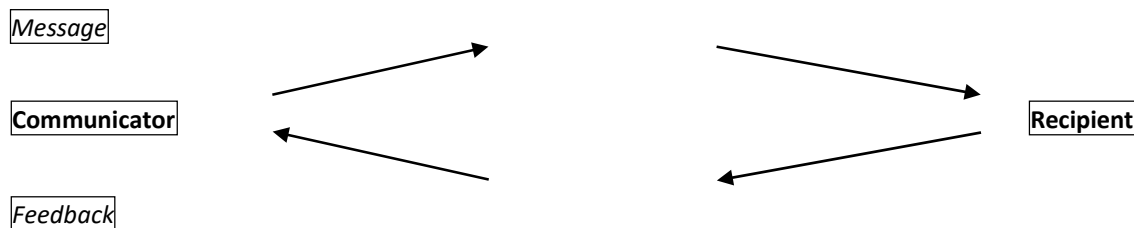
Agree to follow up dates where the parties involved meet to determine the degree of success of the solution

The frequency and the length of the evaluation process should be determined by the importance of the original issue.

Activity 7 Conflict (Individual activity)

Communication

The Communication Process



Communication is the interaction between at least two people, the communicator and the recipient. There can, however, be more than one recipient, like an audience listening to a speech or watching a movie.

Communicator



Any communication begins with the communicator. When you are the communicator, you are the source of the message. You will agree that when you communicate you do not only want to convey a message; you also want those to whom the message is directed to receive and understand it. This means that communication is a sharing experience.

For communication to be effective, the communicator must formulate the message in such a way that the recipient can understand the message.

The message must:

- ✓ Be in a language that the recipient can understand,
 - ✓ It must not cause offence to the recipient
- ✓ And it must be relevant to the recipient – he/she must be interested in the message.

Recipient

On the other hand, the recipient:

- ✓ Must be willing to receive the message: through effective listening practices,
- ✓ Not interrupt while the message is being delivered,
- ✓ And not take offence - listen to what the communicator is saying without being prejudiced before the communicator has finished delivering the message.

Feedback

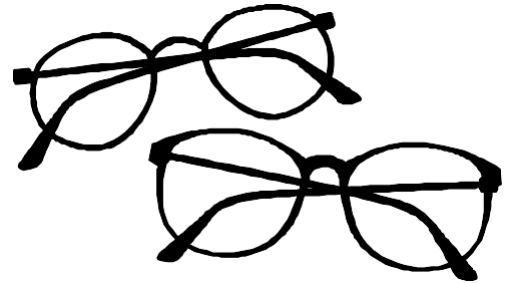
Once you have communicated the message, the recipient will interpret the message and then take action: reply to the message, do what you requested, etc. This is called feedback.

Feedback is not always verbal, but can also be conveyed by means of other reactions e.g. applause after a good performance, joy after receiving good news or even a bloody nose after insulting someone

Barriers to Effective Communication

One of the first steps to achieving more effective communication between people is to recognize and understand why misunderstandings occur in the first place and then learn how to minimize or avoid them.

- ✓ Failure to analyse the needs of the receiver
- ✓ Poor listening, and lack of attention to feedback
- ✓ Assuming that the receivers know more than they really do
- ✓ Insensitive behaviour on the part of senders and receivers
- ✓ Different cultural backgrounds
- ✓ Lack of intercultural understanding
- ✓ Too many people to pass on the message from sender to the receiver, which results in distortion of the message because people filter these messages as they pass them on.
- ✓ Poor feedback, with filtering, omissions and errors as messages are passed on
- ✓ Insensitive or poor choice of language by sender or receiver
- ✓ The sender's information may be insufficient or not clear enough
- ✓ Poor planning of information
- ✓ Wrong emphasis in the information, so that the receiver does not know what the most important parts of the message are.
- ✓ Messages that are so packed with information that they are difficult to interpret and process.
- ✓ Different perceptions of situations and meanings of messages.
- ✓ Poor interpersonal skills, in particular, poor listening, distorted perceptions of others and insensitivity to non-verbal communication.
- ✓ Lack of understanding of what messages mean because people do not share the same meanings.
- ✓ Inability to distinguish between fact and opinion.



People's behaviour is based on their perceptions; their mental image of what the world is like. It involves the use of previous knowledge in order to interpret the stimuli that are registered by our senses.

***We do not see people for what they are,
we see them for what they mean to us.***

Improve Your Communication Skills

When you are the recipient

Improve your listening skills

- ✓ **Stop talking:** You cannot listen if you are talking.
- ✓ **Help** a person feel free to talk
- ✓ **Show a talker that you want to listen:** look and act interested. Do not read your mail while someone talks.
- ✓ **Listen to understand** rather than to oppose.
- ✓ **Remove distractions:** Don't doodle, tap, or shuffle papers. Will it be quieter if you shut the door?
- ✓ **Empathise with talkers:** Try to help yourself see the other person's point of view.
- ✓ **Be patient:** Allow plenty of time. Do not interrupt a talker. Don't start for the door or walk away.
- ✓ **Hold your temper:** An angry person takes the wrong meaning from words.
- ✓ **Do not argue or criticise.** This makes people defensive, and they may stop listening or talking, or even become angry. Do not argue: Even if you win, you lose!
- ✓ **Ask questions:** this encourages a talker and shows that you are listening. It helps to develop points further.
- ✓ **Stop talking!** This is the first and last, because all other guidelines depend on it. You cannot do an effective listening job while you are talking.

"God gave us two ears, but only one mouth.

Does this mean that we should listen twice as much as we talk?"

Active Listening



An important aspect of communication is to listen actively.

Listening should be active, not passive. There are several ways in which listeners can exert control in a discussion and prevent more powerful, educated or argumentative speakers from dominating the negotiation.

- ✓ **Restate the speaker's points** as you understand them, forcing him/her to clarify cloudy areas
- ✓ **Do not respond**, or continue to make non-committal responses until the speaker develops his argument more specifically
- ✓ **Paraphrase the speaker's words**, exposing the hidden cultural assumption and/or feelings of superiority.
- ✓ **Ask questions** that will bring the discussion back to the basic conflict of interests if this is being blurred.
- ✓ Take notes and ask the speaker to repeat phrases that are not clear
- ✓ **Pay attention to everything that is said – not just what you are looking for.** Remember that a discussion is an exchange of individual ideas rather than logical interaction.

- ✓ **Listen for what the other person means, not just what you think he/she means.** Remember that the other person means something and that the actual words may be misleading.
- ✓ **Focus on what the customer is saying, rather than what you are going to say.** Remember that the purpose for the call is to give the customer an opportunity to express her ideas, and not just to get her to see your point of view. Let the customer ramble if need be – good information will usually result.
- ✓ **Focus on content.** Try not to let factors such as tone of voice and body language impede your active listening process. Pay attention to these things too, of course, but keep them in perspective.

- ✓ *Surveys show individuals listen about 25% of the time.*
- ✓ *You recall only 50% of what you hear when you actually listen.*
- ✓ *70% of all misunderstandings happen because people do not listen to each other.*
- ✓ *If we do not upgrade our listening skills we increase the potential for conflict to occur.*



Verifying

When you verify what was said – rephrasing and confirming – you have the chance to spot gaps in your own understanding and to double-check that you understood the message.

By repeating the other person's own words to him tells him that you heard his **words**.

- ✓ Confirm the person's message in order to find out whether or not he agrees that your restatement of information was accurate and that he has understood you.
- ✓ Is that what you meant?
- ✓ Have I understood the key aspects of this situation?
- ✓ Is that a fair restatement of the situation?
- ✓ Is that how you might rephrase it?
- ✓ Is that close to what you mean?

When you are the communicator

Guidelines for better explaining

- ✓ Make each explanation sound fresh and spontaneous
- ✓ Make your explanations conversational and descriptive
- ✓ Be direct with recommendations, but not directive
- ✓ Be enthusiastic
- ✓ Value your customer's style of interaction
- ✓ Be truthful
- ✓ Know what you want to say before saying it
- ✓ Plan your communication
- ✓ Think before you communicate
- ✓ Avoid rushing communication. Take your time
- ✓ Avoid communicating just before knock off time
- ✓ Be clear and concise. Keep it simple. Keep it short.
- ✓ Use words people will understand
- ✓ Use a level of language that will be understood
- ✓ Remember English is not everyone's first language

Feedback

- ✓ Get feedback
- ✓ Give feedback

It is the duty of anyone involved in communication to make an all out effort to ensure that all communication is as successful as possible.

Words

It has been said that – at best – words are poor vehicles for the conveying of meaning. “I try to say I love you, but the words get in the way”. So we have to choose our words carefully because they represent our **intentions** and **attitude**.

Tone of Voice

“It’s not what he said, but how he said it”

“But I didn’t mean it that way”

Such are the makings of an argument. Why? Because although the words are there, they somehow miss the true meaning and purpose of the communication. It is the way in which words are said that brings the meaning across.

The **tone** is the sound of your voice e.g. bright or deep, and expresses your feeling or mood. A bright tone will indicate feelings of excitement, joy, etc. while a deep tone will indicate feelings of placidity or sorrow.

Pace

The **pace** or speed at which you speak can also be influenced by your emotional state. When you are telling someone that you have won the Lotto you will talk much faster than when you are telling him that you cannot attend a major sporting event.

Many people speak too quickly. There are few who speak too slowly. A slower pace is particularly important for telephone communication, as the receiver tends to associate someone speaking too fast as being untrustworthy and nervous.

Pitch

Pitch is determined by the tension on your vocal cords, i.e. how high or low your voice sounds. Generally you will speak at a high pitch when excited and at a lower pitch when relaxed.

The level of your voice is important. A good speaker may overcome many flaws, but a monotone is a massive handicap. Sound enthusiastic about life in general. If you sound boring and depressed, you lower your chances of communicating successfully.

Volume

Speak too softly and no one will hear you. Speak too loudly and you will make your listener physically and mentally uncomfortable.

The **volume** of your voice can also indicate whether you are excited or relaxed, angry or friendly.

Variation

This is critical in order to make the above three elements effective. There is no single optimum rate, pitch or volume. Rather, it is a correct mixture in each of these areas that allows us to maximise what we say. Emphasise certain words; pause at certain places. All this goes towards helping us to create impact. Pauses are particularly effective before and after long or difficult words.

Pronunciation

Slurring of words and poor pronunciation is not conducive to a confident, inspiring, successful voice. Listen to yourself on a tape recorder. It could be the start of some great improvement.

Nonverbal Communication

There are many different types of nonverbal communication but for the purpose of this training intervention we are going to deal with nonverbal communication that directly interacts with verbal communication.

When communicating verbally you can express different feelings without even noticing or voicing these feelings. It is important that you know what these signals are and to be aware that you are also communicating these signals to the people you are communicating with. Just as important is that you recognise these signals that others communicate to you.

Some of these signals are:

Handshake



This normally conveys a first impression of the person you are dealing with. A firm handshake will illustrate confidence and gets the other person's attention. Hold on to his hand a little longer than is necessary to keep his attention. A sloppy handshake will, in contrast, can be interpreted as a sign of insincerity and/or laziness.

Eye Contact

Much can be interpreted by eye contact or the lack thereof.

Direct eye contact and a friendly expression will indicate openness and honesty. Always look the other person in the eye and maintain eye contact to show the speaker that you are listening.

Lack of eye contact can mean that the listener is not paying attention, is bored with what you are saying or is uncomfortable with what you are talking about. Not making eye contact can also indicate dishonesty and distrust.

Gestures

It is normal to make hand gestures during conversation to emphasise a point, but there are other gestures that convey your inner feelings without you making them consciously.

These include hand-, foot- and leg activity. Restless hands or shaking of the legs or feet can be a sign of agitation or nervousness.



Posture

Sitting or standing straight will indicate that the listener is alert and paying attention, while slouching in a chair or leaning against a wall or door is a sign that the listener is not really interested in what is going on.

Activity 8 Communication (Individual activity)

What Is Negotiation? (SO3-AC3, 4)

To **negotiate means to trust in** others for a solution that is easier to reach and works out better for everyone.

Negotiation should be

- ✓ a voluntary process
- ✓ Which involves joint decision-making.

Negotiation takes place where two or more people with different views or interests

- ✓ meet to find a common solution to a problem or a dispute
- ✓ And decide what to do and how to go about it.

In this way an agreeable common ground or solution can be found. Importantly negotiation only takes place between people who have different ideas or views which they want to implement in a fair manner.

Negotiation skills

Preparation

You have to be clear about ideas and views held by others and you must also identify the position of others before beginning to negotiate (and clarify where a common ground can exist). Find out what they think and where they stand so that you can find a point where you all agree.

Strategising

You have to determine what is vital for the success of the contract and keep these points in mind when going into negotiation.

However you should also remain realistic and think about both the ideal agreement or conclusion and the worst possible settlement which might have to be accepted.

Commitment

You have to be firm and flexible and you have to choose the order of priorities and leave your ego at home.

Negotiation is about **listening** and **exchanging views** – it is not about winning! When negotiation is taking place it is important that neither party takes over the discussions and puts their own views forward without the consent of others.

Finally, it should be remembered that just because negotiations take place an agreement does not have to be found. Rather, negotiations are useful for finding a middle-ground voluntarily or where responsible parties can reach a common arrangement and remain committed towards it during the contract period.

Activity 9: (SO3, AC3, 4) Group activity

CLOSE-OUT OF CONTRACT

Outcome

Ensure compliance and administrative close-out of contract

Assessment criteria

- ✓ Work and performance results are evaluated against contract deliverables to establish that work is completed effectively
- ✓ Contract terms relating to contract termination are understood and implemented according to contractual requirements
- ✓ A basic audit is conducted to ensure that all parties have complied with their obligations
- ✓ Contract is signed off and final administrative procedures are dealt with in order to ensure closure of contract.

Close-Out of Contract (SO4-AC1)

This phase is important for a successful conclusion of the contract, as an incomplete finish and poor follow-up procedures can lead to excessive costs.

The completion stage involves a final review of the results or outcomes of the contract (an audit) and the reassignment of materials, people and other supplies used during the contract.

This includes an overall evaluation of a project's progress. This form of evaluation examines the overall impact, success or failure of the finished contract and highlights courses of action to consider taking or avoiding in future contracts.

The completion stage can be described as the "wind down" of a project. This stage involves the closing (or finishing) of remaining tasks and activities as well as the re-distribution of unused resources. At this stage, management is vulnerable to becoming overconfident and may make the fatal mistake of letting the project run its own course to completion - without the necessary supervision.

A number of problems can still occur at this stage, such as:

- ✓ A breakdown in communication between your business and the client,
- ✓ A discovery of incomplete tasks,
- ✓ Or even a sudden increase in last-minute costs.

Failure on the part of management to close the contract and its activities properly and to the satisfaction of all involved, is caused by:

- ✓ Poor monitoring,
- ✓ Lack of effective supervision or leadership,
- ✓ General disinterest or attention (perhaps due to boredom) with remaining tasks, and/ or
- ✓ A relaxation of schedule discipline.

Consequently, the completion stage of a contract should avoid these possibilities and closing procedures must be applied strictly. These procedures involve the following:

A Declaration That the Contract Will Be Completed Shortly

Announce the completion date clearly beforehand and schedule a meeting of all the parties involved so that the contract can be declared finished.

Although everyone may be aware of such a scheduled date, a formal announcement finalises a definite end to the project. Depending on the scale and importance of the contract, the final meeting can be symbolically completed by speeches, a cocktail party or just a simple handshake!

The Completion of Final and Necessary Documentation (SO4-AC2)

At this stage the final write-up and necessary documentation must be completed. This should include:

- ✓ A description of the overall progress of the contract,
- ✓ Resources used,
- ✓ Costs incurred
- ✓ And the schedule followed.

The final report should also include:

- ✓ An analysis of the problems encountered,
- ✓ How these issues were approached or handled,
- ✓ Whether they worked,
- ✓ And what, if any, changes were made to the project schedule as a result of these pressures.

You can also include an appraisal of individual and team performance during the contract period. If you want to describe the performance of individuals, remember that these matters are confidential. You should make provision for confidentiality in the report and then brief such individuals on their conduct privately.

Together with the report, submit any outstanding invoices as well as sign-off form for the Employer to complete in confirmation that the contract has finished.

Activity 10: (SO4, AC1-2, 4) (Group Activity)

Conduct an Audit (SO4-AC3, 4)

The purpose of evaluating a project is not to find fault or blame but to learn from experience and to improve on future performance. Once a contract has been completed an evaluation (audit) will give you useful insight into how successful the contract has been in achieving what it set out to do in the first place, that is its goal or objectives.

For example, if the goal of a project was to build a house within three months, within a certain budgeted cost, and according to a particular design, and the schedule fulfilled all these conditions then a contract could be described as very successful.

However, if the evaluation showed that the costs were higher than expected, perhaps more time could have been saved, or certain sub-standard materials were used to complete the house, then the contract could be described as having been less successful. On the other hand, if the contract was never completed then of course it could be described as a failure!

The evaluation of a contract is not only about how successful the contract was, but should also be a learning exercise which investigates all the shortcomings that happened during the contract period.

In particular, an evaluation should examine how these drawbacks or unexpected changes were managed and what lessons could be learned from this experience for future reference.

The following questions are useful to ask when undertaking a project evaluation, namely:

- ✓ Was the contract on schedule as initially laid out?
- ✓ Was the contract within budget?



- ✓ Was the contract on time?
- ✓ Did the completed contract meet the goal or objectives set out?
- ✓ Was monitoring adequate?

If any of these questions were answered in the negative (by a "no") then the evaluation should follow up these questions by asking:

- ✓ What were the issues or problems encountered?
- ✓ What action was taken to correct this issue or issues?
- ✓ Was the solution or corrective action or actions effective?
- ✓ What can be learned from this event for future reference?

These questions can be asked by using an individual evaluation questionnaire in which each project management member is approached individually or by a standardised team evaluation questionnaire where the same questions are asked to everybody involved in the project.

In particular, such an evaluation should ask each staff member about their:

- ✓ Responsibilities,
- ✓ Helpful conditions they identified during their involvement with the contract
- ✓ Unhelpful conditions or hindrances they encountered in completing their tasks, and
- ✓ Suggestions for dealing with these difficulties and the contract as a whole.
- ✓ Agreement Check-List

Activity 11: (SO4, AC3) (Group activity)

ASSESSMENT ACTIVITIES

Unit standard 119667

Activity 1 (S01, AC1) (Group Activity)

1. In a group, give at least two examples of each type of business
 - Agriculture
 - Mining and Quarrying
 - Manufacturing
 - Electricity, Gas and Water
 - Construction
 - Retail and Motor Trade and Repair Services
 - Wholesale Trade, Commercial Agents and Allied Services
 - Catering, Accommodation and other Trade
 - Transport, Storage and Communications
 - Finance and Business Services
 - Community, Social and Personal Services
2. Identify and list the value chain from the manufacturer to the spaza shop, including the transport companies.
3. If you want to supply goods to a wholesaler such as Makro, who would be the decision-maker that you have to talk to? (1)

Activity 2 (S01, AC1-2) (Group Activity)

In a group, discuss the effect the following can have on the value chain:

- ✓ Trade unions
- ✓ Government
- ✓ Transport companies
- ✓ Wholesalers
- ✓ Community

Activity 3 (S01, AC2) (Group Activity)

In a group, draw an organogram of the typical chain of command in an organisation, using the information as quoted to assist you.

Activity 4 (S01, AC 1-2, 4-5) (Group Activity)

1. You want to open a furniture shop. In a group determine in which industry the shop will be classified, as well as the business sector the shop will be classified in.
2. How will a strike by the employees of a furniture factory affect your business?
3. How will cheap furniture imported from overseas affect your business?
4. If we look at the value chain that milk goes through, how will it affect the value chain if the quality control on the farm is not done properly and milk is sold that goes sour before the due date?

5. How will a strike by Transnet employees affect the value chain of the iron ore from the mining company to the car dealer?
6. How is the value chain of clothes affected by cheap imports from overseas? Discuss the value chain from the clothes factory to where the product is purchased by the customer.
7. Cheap imported clothes have an effect on the economy of the country. Explain how you think cheap imports affect the economy negatively.

Activity 5: (SO1, AC3) (Group Activity)

1. In a group, discuss the following and note your conclusions: Why is it important that you talk to the decision-maker in an organisation?
2. Why should you know what the chain of command in the organisation is?
3. Why should you be aware of the communication channels in the organisation?
4. Why should you ensure that the client has a need of your product or service before you attempt to sell it to the organisation?
5. Why should you ensure that you can deliver the product in the correct quantity and quality and on time?
6. In a group, discuss what the three statements below mean and how you can use this knowledge to improve your sales pitch. You want to start a taxi service taking children to school.
7. Customers want to narrow their own focus to the few things they do best, and outsource the rest without the added overhead costs of supervising their suppliers.
8. Customers want sellers to know their business well enough to create products and services they would not have been able to design or create themselves.
9. Customers want proof – hard evidence – that their supplier has added value in excess of price.
10. In a group, discuss the seven factors of the critical salesperson role: what they mean and how you can use this knowledge to improve your sales pitch. You want to start a taxi service taking children to school.
11. In a group, discuss the five buying decisions: what they mean and how you can use this knowledge to improve your sales pitch. You want to start a taxi service taking children to school.
12. In a group, prepare a sales pitch. You want to start a taxi service taking children to school and are going to do a presentation to the headmaster at the school in order to get his approval for the taxi service.

Activity 6 (SO1, AC1, 3) (Group Activity)

1. You want to start a taxi service for the employees of the BMW plant in your area. You want the support of BMW, who is conscious of their social responsibility and their responsibility towards their employees. Who will you approach with this proposal?
2. You want to start an upholstery business, making the seats and interiors for Nissan cars. Who do you think will be the decision-maker at Nissan?
3. How will you set up an appointment with this person?

Activity 7 (SO2, AC1-4) (Group Activity)

1. You want to open a furniture shop. Identify as many role players in this business sector as you can.
 - ✓ Furniture manufacturers
 - ✓ transport operators

- ✓ furniture wholesalers
- 2. What role will each of them play in the success of your business?
- ✓ furniture manufacturer
- ✓ transport operator
- ✓ furniture wholesaler
- 3. How can you go about funding your venture?
- 4. Which joint venture or sub-contractor relations can you establish to deliver on larger projects?
- 5. How will you go about obtaining business for your business idea?

Activity 8 (SO3, AC1-3) (Group Activity)

1. Explain the flow of information between stores, the production department, the purchasing department and the finance department.
2. In a group, design an order form.
3. In a group, design a delivery note.
4. In a group, design a quotation.
5. What information must be included on an order form?
6. What is the purpose of the delivery note?
7. Which form would production use to order products from the stores?
8. Why should the finance department be kept up to date with orders placed and goods delivered?

Activity 9 (SO3, AC3) (Individual Activity)

1. Describe the process of stock control.
2. What are stock records used for?
3. What is the purpose of expediting orders?
4. How is expediting done?
5. In a group, design a stock control form.
6. There are two types of returns in business. Discuss them.
7. Describe the steps involved in the receiving process.

Unit Standard 119712

Activity 1 (SO1, AC1 – 3, 5): Individual activity

1. Where can you find out about tenders? List at least two places.
2. How often is the government tender bulletin published?
3. What information will be contained in the tender bulleting? (5)
4. How will you set up a tender prospecting system?
5. Explain an HDI or historically disadvantaged individual. (4)
6. List three official forms that have to be completed for all tenders. (3)
7. Explain how tenders for less than R500 000 will be adjudicated. (2)
8. Name four key principles of the Tendering System (4)
9. Where must tender results be published? (1)
10. List 5 indicators that will show when your business is ready to tender. (5)
11. Describe the tendering process. (5)
12. Who can help you to complete a tender document?

Activity 2 (SO1, AC4) (Group Activity)

1. What will a larger company expect from you as a subcontractor?
2. How will you prove that you can deliver the services as required?
3. What are the advantages of being a subcontractor?
4. What are the disadvantages of being a subcontractor?

Activity 3 (SO1, AC4) Individual activity

1. Write a motivation of how you will confirm the following: The track record of your business.
2. The quality of your staff:
3. The quality of your customer care:
4. The reliability of your company:
5. The quality of your equipment and/or vehicles
6. For your own business idea, identify businesses you would be able to enter into joint contracts with.

Activity 4 (SO2, AC4) (Individual activity)

Study the following information and calculate the following ratios:

- ✓ Variable costs per kilometre
- ✓ Bus fixed costs per bus
- ✓ Overhead costs per bus

COST STRUCTURE FOR JANUARY 2001

R/MONTH

Fuel		12 803
Tyres and tubes		2 409
Lubrication		673
Spare parts		10 375
Salaries of bus drivers		15 779
Salaries of maintenance personnel		3 328
Salaries of other operating personnel		6 927
Licences of buses		4 791
Depreciation buses		10 182
Renting of building and equipment		1 984
Personnel cost: management and administration		2 923
Other general expenses		1 343
All other depreciation		253
TOTAL		73 770
OTHER STATISTICS	R/MONTH	
Total kilometres	14 146	
Peak vehicles	5	

CALCULATIONS

Calculate the variable cost and divide it by the total kilometres to get the cost factor per kilometre

Calculate the fixed cost per bus and divide it by the total number of peak buses to get the bus fixed cost per bus

Calculate the overhead cost per bus and divide it by the total number of peak buses to get the overhead cost per bus

Activity 5 (SO2, AC4, 5) (Individual activity)

Use the same cost structure and calculate a price for school children for a day trip to the zoo. The following information is available:

- ✓ A bus is needed for the full day.
- ✓ The total distance for the private hire is 200 km.
- ✓ A profit of 10% must be included in the price.

Bus fixed costs		
Overhead costs		
Variable costs		
Total costs		
10% Profit		
TOTAL		

CALCULATIONS

Bus fixed costs

Overhead costs

Variable costs

Total costs =

10% Profit =

TOTAL

Multiple day trips

Now you can also work out the price for multiple day trips. Use the same information and calculate a price for a soccer team visiting Durban for 5 days. The following information is available:

- One bus is needed
- The total distance for the private hire is 3 000 km.
- A profit of 10% must be included in the price.

Bus fixed costs		
Overhead costs		
Running costs		
Total costs		
10% Profit		
TOTAL		

CALCULATIONS

Bus fixed costs

Overhead costs

Running costs

Total costs

10% Profit

TOTAL

You want to run some extra trips so that you can increase your profit. A nearby old age home needs a bus company to transport its members to and from different venues over the weekends. They have asked you to provide this service.

The old age home will need one bus on a Saturday to take the old people to the shopping centre in a nearby town. A bus is needed for the whole morning. The total distance for the private hire is **190 kilometres**. A profit of **20%** must be included in the price.

Work out what you will charge them for the trip.

Remember that in real life you will have to work out

- Bus fixed costs
- Overhead costs
- Variable costs
- Total costs

Refer back to the learner guide to help you if you cannot remember the formulas

The old age home will also need another bus on a Sunday to transport the old people to Church meetings. A bus will be needed for the whole day. The total distance for the private hire is **360 kilometres**. A profit of **20%** must be included in the price.

Work out what you will charge them for the trip.

Activity 6 (SO2, AC1) (Group activity)

In handout 2 you will find an example of tender documents.

1. Volume 1 contains general rules that apply to all tenders. Under point 7 you will find a list of documents that have to be completed for all tenders. In a group, list these documents.
2. Point no 9 states what will happen if tenderers do not attend meetings. In a group find out what happens if you do not attend the meeting.
3. Point no 11 talks about domicilium citandi et executandi. You must also give the street address where the business located. This is called a domicilium citandi et executandi. If the state wants to take legal action against you, the summons will be served at this address. Which address would you quote as domicilium citandi et executandi?
4. Point no 17 contains rules about the completion and signing of the documents. Point 17.1 states how the documents must be signed. Write the details below.
5. Point 17.2 gives details of a form that must be completed. Write the details of the form below.
6. Are you allowed to make alterations to the forms? Check Point 18 for the answer.
7. Point 20.2 gives details about the submission of tender documents. List the details.
8. Point 28 states the equity in the company of historically disadvantaged individuals before the tender will be considered. What is the equity percentage required?

9. Volume two contains the general conditions of contract. Point no 1 gives details about the meaning of words and terms used in the contract. Give the meaning of the following words:

- ✓ Capacity
- ✓ Commencement date
- ✓ Day
- ✓ Employer
- ✓ Midi bus
- ✓ Minibus
- ✓ Month
- ✓ Operating licence
- ✓ Operator
- ✓ Payment certificate
- ✓ positioning kilometres or dead kilometres
- ✓ Revenue kilometres
- ✓ Scheduled kilometres
- ✓ Standing kilometres
- ✓ Tenderer
- ✓ Timetable
- ✓ waybill

10. Point 5 of volume 2 states conditions under which scheduled trips may be cancelled. List two

11. Point 8 states details of the commencement date. Which clause of the specifications will give details of this date?

12. Point 16 details information that must be given to the employer. Write down these details.

13. Insurance is discussed under Point 17. Who must arrange public passenger liability insurance?

14. Point no 18 states details under which you may refuse to convey a person. List the details.

15. Point 20 states details of payment. When must you submit the claim form?

16. When will the representative certify the claim?

17. When will payment be made?

18. Point 22 states conditions for permits and operating licences. Where must you apply to get an operating licence?

19. Point 25 states whether you may do other transport business outside the contract. Under which conditions will you be allowed to do this?

20. Point 33 gives details about vehicles. Which form must be completed regarding vehicles?

21. Volume 3 contains special conditions of contract. How must vehicle and duty numbers be displayed?

22. Volume 4 contains the specifications of the tender. Which points will give details about the following?
Commencement of services

- ✓ Services to be provided
- ✓ Submission of operating data

23. Have any bidders meetings been scheduled? If so, when and where?

24. Which products or services are required?
25. What are the details of the products/services?
26. When will the tender start? When will the tender end?
27. Where must delivery of the service take place?

Activity 7 (SO2, AC2) (Individual activity)

Refer to handout 2 and list the requirements as stated in the tender documents.

Activity 8 (SO2, AC3) (Group activity)

1. Work out the route that you will follow.
2. Work out a timetable.

Activity 9 (SO2, AC 4-5) (Individual activity)

1. Work out what each trip will cost you. Refer to the learner guide for help. Use the details given in the learner guide.
2. Add a profit mark up of 10% to your unit costs.

Activity 10 (SO2, AC6) (Group activity)

1. Which forms do you have to complete for this tender?
2. In your groups, complete one set of forms as needed by the tender.

Activity 11: (SO3, AC1-3) (Individual activity)

You have a midi bus and will not require any further financing. For additional information refer to the business plan or discuss with your trainer. This is not a real tender; it is only for exercise purposes.

1. Complete the forms that are required for the tender. Check the tender document to ensure that you have completed it correctly and that your tender conforms to the requirements stated in the tender document.
2. Write down when and where the tender should be submitted.
3. Write down how you will submit the tender document.
4. What risks could you face if you do not collect passengers on time?
5. What risks could you face if your vehicle does not conform to specifications?
6. What risks do you face if you do not display the route, etc. as specified?
7. What risks do you face if you do not hand in documents for payment on time?

Unit Standard 119671

Activity 1(SO1, AC1) (Group activity)

Once you have managed to secure a contract, whether through a tender or otherwise, you have to study the contract in detail. In a group, discuss why a contract should be studied in detail

Activity 2: (SO1, AC1-3) (Group activity)

1. In handout 1 you will find an example of a contract. In a group, study the contract and do the following:
Prioritise the tasks
2. Identify completion dates
3. Allocate resources
4. Write down the criteria for the tasks
5. Identify the risks to your business and state how you will prevent unforeseen circumstances from putting your business at risk.
6. Complete the contract action plan on the next page

CONTRACT ACTION PLAN

Task list	Comple tion Date	Who will be responsible	Resources	Criteria	Risks	How prevented

Activity 3 (SO2, AC1-2) (Group activity)

- ✓ In a group, do a risk assessment of at least three risks identified in the previous exercise. Use the table on the next page as a guideline.
- ✓ Then draw up a plan to control the risks. Use the table on the next page as a guideline

Activity 4: (SO2, AC3) (Group activity)

In a group, study the contract to find out which documents have to be sent with the invoice in order for payment to be made.

RISK ASSESSMENT		
<p>Identify uncertainties / risks</p> <p>Explore the entire contract and look for areas of uncertainty.</p>	<p>Analyse risks</p> <p>Specify how those areas of uncertainty can impact on delivering the products or service as required by the contract</p>	<p>Prioritise risks</p> <ul style="list-style-type: none"> • Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention, • And which risks are small enough not to impact too much on the business and will not need detailed management attention

RISK CONTROL			
The nature of the risk	How will the risk be spotted	What must be done to resolve it	Who will do it (be accountable for recovery from the risk)

Activity 5(SO2, AC3-4) (Group activity)

In a group, draw up an events control chart. Use the contract action plan as an example. Remember to state how you will monitor progress

<i>Event .</i>	<i>Scheduled date</i>	<i>Anticipated date</i>	<i>Achieved date</i>	<i>Monitor progress</i>	<i>Notes</i>
1 <i>sign off layout plan</i>	7.2.2008	26.2.2008	15.3.2008	<i>Contact decision makers weekly</i>	<i>Signing off a layout plan for new offices delayed because of inability to get the decision makers together</i>

Activity 6 (SO3, AC1, 2, 4) (Group activity)

The contract in handout 1 has a detailed dispute management procedure. In a group, study the procedure and summarise the mediation in non-urgent matters procedure, specifically the following points:

1. Written notification of a dispute
2. Payment of costs
3. When can the operator declare a dispute
4. What happens if a settlement cannot be reached within 60 days
5. If a settlement is reached, who must record the settlement
6. Who must establish and regulate procedures for the mediation

Activity 7 Conflict (Individual activity)

1. Name and explain the three outcomes of conflict. (6)
2. List the steps involved in managing conflict or disagreement. (6)

Activity 8:Communication (Individual activity)

1. What are the responsibilities of the sender of the message?
2. What are the responsibilities of the receiver of the message?
3. Why is feedback so important to good communication?
4. List six things you can do to improve your communication skills. (6)

Activity 9: (SO3, AC3, 4) Group activity

1. You have been informed by the union that a general strike is going to start in 5 days. Prepare for negotiating with the Employer to use a substitute operator.
2. Negotiate with one of the other groups acting as the employer. Once agreement has been reached, note which documents have to be completed to formalise this change.

Activity 10: (SO4, AC1-2, 4) (Group Activity)

In a group, draw up a form to write a report about the contract once it has finished. In the appropriate place, write the details you have available, such as resources, the schedule, etc. Remember to include the following:

- ✓ A description of the overall progress of the contract,
- ✓ Resources used,
- ✓ Costs incurred
- ✓ And the schedule followed.
- ✓ An analysis of the problems encountered,
- ✓ How these issues were approached or handled,
- ✓ Whether they worked,
- ✓ And what, if any, changes were made to the project schedule as a result of these pressures.

REPORT

1. In a group, develop a sign off form to attach to the report.
2. List three problems that can occur during the close-out of a contract.
3. What should be done to ensure that a contract is closed out?

Activity 11: (SO4, AC3) (Group activity)

In a group, draw up a questionnaire to use when doing an audit about the success of the contract. Remember to include:

- ✓ Was the contract on schedule as initially laid out?
- ✓ Was the contract within budget?
- ✓ Was the contract on time?
- ✓ Did the completed contract meet the goal or objectives set out?
- ✓ Was monitoring adequate?
- ✓ What were the issues or problems encountered?
- ✓ What action was taken to correct this issue or issues?
- ✓ Was the solution or corrective action or actions effective?
- ✓ What can be learned from this event for future reference?
- ✓ Responsibilities,
- ✓ Helpful conditions they identified during their involvement with the contract
- ✓ Unhelpful conditions or hindrances they encountered in completing their tasks, and
- ✓ Suggestions for dealing with these difficulties and the contract as a whole.