

Business Studies

CLASS TEXT & STUDY GUIDE

Habiel Adams

GRADE

11

CAPS

3-in-1



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Grade 11 **Business Studies** 3-in-1 CAPS

CLASS TEXT & STUDY GUIDE

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Key Features:

- Comprehensive notes per topic
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- 1 Notes per Topic
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BUSINESS ENVIRONMENTS

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TOPIC 1: INFLUENCES OF THE BUSINESS ENVIRONMENTS

THE COMPONENTS OF THE THREE BUSINESS ENVIRONMENTS

THE MICRO ENVIRONMENT

- ▶ The micro environment refers to the business itself and is often also described as the internal environment.
- ▶ The micro environment deals with all issues pertaining to the internal operations of the business.
- ▶ Understanding the components of the micro environment directly influences the success or failure of the business.

Components of the micro environment

Vision

- ▶ The vision refers to the long-term dream of the business.
- ▶ It is where the business owners see the business in the future.
- ▶ It is sometimes known as the long-term envisagement of the organisation.

Mission

- ▶ The mission describes the main function of the business.
- ▶ The mission would give insight into what the business must do in order to achieve the vision.
- ▶ It often explains the overall function, philosophy, competitive advantage and goal of the business.

Goals

- ▶ Goals are defined as the desired result the business would like to achieve in the long-term.
- ▶ Goals are often described as outcome statements that briefly state what the business would like to achieve in the future.
- ▶ Goals inform the company's strategic direction.
- ▶ Examples of goals are improving profitability and increasing customer loyalty.

Objectives

- ▶ Objectives are all the activities that must be done in the short-term in order to achieve the goals of the business.
- ▶ It is often described as measurable actions in the short-term which are aimed at achieving the goals of the business.
- ▶ Objectives are based on SMART principles and should thus be:
 - **s**pecific
 - **m**easurable
 - **a**ttainable
 - **r**elevant
 - **t**imely

Management and leadership style

- ▶ The type of management and leadership style the business uses influences the way in which the overall goals of the business are met.
- ▶ Some managers prefer to use a more **democratic approach** whereas others prefer to use a more **autocratic approach**.



Democratic approach takes into account the opinions of employees in decision making.

Autocratic approach does not take into account the opinions of employees in decision making.

- ▶ Each **management style** has their own advantages and disadvantages.
- ▶ The correction application of the various management styles in the business affects internal operations as well as **staff morale**.



Management styles: The methods used by the manager to manage employees.



Staff morale: The attitude, outlook and attitude of staff towards their work.

Structure of the business

- ▶ The structure of the business explains how the leadership of the business will be structured.
- ▶ The management team, heads of departments and subdepartments are explained in the **organigram** of the business.
- ▶ The command of control depicts the responsibilities of the management and leadership team of the business.



Organigram: A graphical representation of the hierarchical relationships between management and subordinates.

Organisational resources

- ▶ **Human resources** refer to all the employees within the business that are required to perform specific duties in order to achieve the overall goals and objectives of the business.
- ▶ **Physical resources** refer to all the physical capital such machinery, tools, equipment and property required to conduct business activities.
- ▶ **Financial resources** refer to all the readily available cash and other forms of investment that the business has in its possession in order to meet its financial needs.
- ▶ **Other resources** include resources such as time, which must be used efficiently and effectively in the business.

Organisational culture

- ▶ The organisational culture describes how the business conducts its activities.
- ▶ It refers to **workplace etiquette** and the manner in which customers and suppliers are treated.



Workplace etiquette: An unwritten code of proper workplace conduct.

- ▶ The overall values and beliefs of the organisation expressed in the way managers interact with other staff members and how the staff interact with each other.

The eight business functions

- ▶ **General management** is responsible for the overall **strategic direction** of the business and is often referred to as the umbrella function.
- ▶ **Purchasing (procurement)** is responsible for buying the various goods and services required by the business.
- ▶ **Production** focuses on the manufacturing of the products that are intended to be sold to customers.
- ▶ **Public relations** is responsible for promoting a **favourable image** of the business with members of the public.
- ▶ **Marketing** conducts **market research** on the target market and aims to promote the products to consumers in order to increase market share.
- ▶ **Financing** is responsible for ensuring proper financial control and **financial management** within the business.
- ▶ **Human resources** focuses on all activities related to the employees and the welfare of the workforce within the business.
- ▶ **Administration** deals with the collecting, processing, storing and retrieving of data and information required by the business.



Strategic direction: Specific plans and actions taken by the business to achieve goals of the organisation.



Favourable image: Positive business perception by stakeholders.

Market research: Research conducted on the target market (customers) or potential target market.

Financial management: The efficient control of various financial functions in the business such as budgeting, expense management, credit control and profitability realisation.

THE MARKET ENVIRONMENT

- ▶ The market environment is an external environment over which the business has less control compared to the micro environment.
- ▶ The market environment refers to all the participants that the business interacts with on a regular basis but are not found within the business.
- ▶ Although the business has less control over the market environment, it can influence the components of the market to a certain degree.

Components of the market environment

Customers

- ▶ Customers also known as consumers and buyers refer to all the participants and other businesses that purchase goods from a business.
- ▶ Businesses need to ensure that the needs of customers are met because without customers the business will fail to survive.
- ▶ Businesses focus on creating **brand loyalty** in order to retain existing customers and gain access to new potential customers.



Brand loyalty: The tendency of the consumer to continually prefer the business's product over that of competitors.

Suppliers

- ▶ Suppliers refer to other businesses that provide a business with all the goods and services (inputs) it requires in order for a business to produce and sell their goods and services.
- ▶ Without suppliers, the production of goods and services by the business cannot take place.
- ▶ Suppliers serve an important function to the business and the prices charged by them influences the price the business will charge.

Competitors

- ▶ Competitors refer to other businesses who sell similar or identical products or services to a particular business.
- ▶ The prices charged by competitors influences the prices that the business will charge and whether customers would prefer the competitors' products over that of the business.
- ▶ Businesses often strive to develop a competitive advantage in order to improve its market share.

Regulators

- ▶ Regulators are required to ensure that businesses follow the correct laws laid out by the government of the country.
- ▶ Regulators ensure that the rules of the law are not violated by businesses and promotes and protects public interest.
- ▶ In particular, regulators aim to ensure that the human rights of employees are not abused.

1 Intermediaries and strategic allies

- ▶ Intermediaries and strategic allies refer to businesses and people that serve as a link between the micro and market environments.
- ▶ Retailers, wholesalers, agents and the banking industry are common examples of intermediaries.
- ▶ Intermediaries and strategic allies often bridge the gap between the business and the consumer.

Trade unions

- ▶ **Trade unions** promote and protect the economic rights of the labour force.
- ▶ Trade unions protect the interests of employees and ensure that their rights are not abused nor violated.
- ▶ They often negotiate on behalf of workers for better wages and improved working conditions.



Trade unions: An organised association of workers formed to protect the economic interests of workers.

THE MACRO ENVIRONMENT

- ▶ The macro environment is often referred to as an external environment over which the business has no control.
- ▶ The macro environment refers to all uncontrollable factors outside the business that affects the internal functioning of the business.
- ▶ Keeping **abreast** of changes in the macro environment informs the business where it needs to adapt and can also ensure the survival of the business.



Abreast: Being up to date with the latest research, trends and information.

Components of the macro environment

Political factors

- ▶ The political stability, political power of the state and the political climate influences the way in which businesses can conduct their activities.
- ▶ Changes in government, the creation of new laws and the application of the law directly affect the business.
- ▶ Businesses need to ensure that they act within the law set out by the government.

Economic factors

- ▶ The current state of an economy, be it **upswing** (expansion) or **downswing** (contraction) directly influences how trade is conducted within South Africa and with other countries.
- ▶ Economic factors include amongst others, variables such as the **prime interest rate, repo rate, exchange rate** and taxation.

Upswing: Increases in the level of economic activity in a country.

Downswing: Decreases in the level of economic activity in a country.



Prime interest rate: The interest rate charged by the commercial banks to preferential customers.

Repo rate: The interest rate charged by the South African Reserve Bank to commercial banks for the borrowing of funds in the event of any shortfall of funds.

Exchange rate: The price of one currency in terms of another.

- ▶ An economy that is in a sound financial position provides greater stability for the citizens of a country and for foreign trade.

Social factors

- ▶ Businesses need to gain insight into the aspects that influence the customers they serve.
- ▶ The availability and the ability of consumers to purchase goods is influenced by various social factors.
- ▶ Social factors include, amongst others: poverty, crime, employment, unemployment, age, gender, values, traditions, customs and preferences of consumers.

Legal factors

- ▶ Businesses need to be knowledgeable about contemporary legislation and promote awareness of these legislations within the business.
- ▶ By applying the various legislations within the business reduces the chances of penalties for non-compliance.
- ▶ The incorrect application of the legislation can have a financial impact on the business.

Technological factors

- ▶ Businesses need to ensure that they use mechanised and modern methods of producing goods and services.
- ▶ Technological changes occur daily, and businesses need to keep abreast of these changes.
- ▶ All activities within the business must use technology to enhance their activities.

Environmental factors

- ▶ The physical environment is under tremendous strain to meet the needs of customers and businesses need to evaluate the impact of their production activities on the environment.
- ▶ Environmental factors include, amongst others: environmental legislation, **climate change, global warming, greenhouse gases, carbon footprint**, floods, droughts and deforestation.
- ▶ Businesses need to consider more environmentally friendly and eco-friendly ways of sourcing resources and producing goods and services.

Climate change: Changes in regional and global climate patterns mainly because of the burning of fossil fuels.

Global warming: The gradual increase in the earth's atmosphere largely because of the greenhouse effect.

Greenhouse gases: Carbon dioxide and chlorofluorocarbons that cause the greenhouse effect.

Carbon footprint: The amount of carbon dioxide released into the atmosphere by a person, business, organisation or country.



THE EXTENT OF CONTROL A BUSINESS HAS OVER THE THREE ENVIRONMENTS

- ▶ In the context of business environments, **extent of control** refers to the degree of control (how much control) a business has over the challenges within the three environments.



Extent of control: The degree of control a business has over the challenges within the three environments.

- ▶ It is described as the extent to which a business can exercise control and make decisions pertaining to the challenges that arise in the three environments.
- ▶ Businesses need to understand how much control they have over each environment in order to devise strategies to promptly address potential challenges.

Reasons why businesses have full control over the micro environment

- ▶ Naturally, a business is able to control all the decisions taken in the micro environment.
- ▶ The management and owners of the business create their own mission and vision, no other parties can therefore dictate the terms of their mission and vision.
- ▶ The management of the business determines the goals and objectives of the business and it is within their control to decide upon what these priorities are.
- ▶ The leadership and management style as well as **management structure** is chosen by the owners and management of the business and external factors do not influence their decision in this regard.



Management structure: The manner in which a business organises its management hierarchy.

- ▶ Managers determine what organisational resources are required and how they will be distributed to the various eight business functions within the business.

Reasons why businesses have some or limited control over the market environment

- ▶ The components of the market environment work independently from the business as they are found in an external environment. The business can, however, influence these components to a certain level.
- ▶ A business cannot dictate the terms of purchase for consumers. They can, however, influence the consumers by offering discounts and specials, which may prompt consumers to purchase from the business.
- ▶ A business cannot control the functioning and management of their suppliers but can influence them to a certain level.
- ▶ If a supplier is charging higher prices, it is possible for a business to negotiate a discount with the supplier. In this way, the business can have some control over the supplier.

- ▶ Businesses can create competitor profiles to determine the weaknesses of competitors and use this to the advantage of the business. In this way, the business will be able to improve its product and **pricing strategies**.



Pricing strategies: Methods businesses use to derive their prices.

- ▶ Businesses cannot control the actions of trade unions, but negotiations with them can reduce the impact of strikes on the market.

Reasons why businesses have no control over the macro environment

- ▶ The components of the macro environment work independently from the business as they are found in an external environment. The business has no control over the operations and decisions taken in this environment.
- ▶ Political factors such as changes in the political climate of a country are not within the control of the business. The business cannot decide how a country must be managed.
- ▶ Economic factors such as changes in the repo rate are determined by government authorities. The business cannot determine the repo rate of a country.
- ▶ Social factors such as increased crime and **unemployment levels** are not within the control of the business.

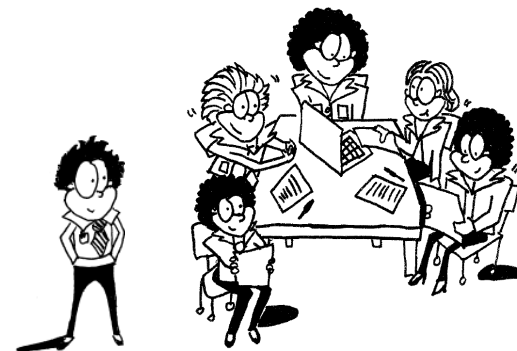


Unemployment levels: The degree to which people are jobless and without work in the country.




- ▶ Legal factors such as changes in contemporary legislation are not determined by the business. Businesses will have no choice but to apply these laws in the business.
- ▶ The business cannot control the amount of new technologies being introduced into the market on a daily basis. In order for the business to be relevant, the business would have to use this modern technology in their production process.
- ▶ Environmental factors such as increased global warming and climate change cannot be controlled by the business. The business will have to look at methods to reduce their impact on the environment.



Differentiation between the extent of control over the environments

ENVIRONMENT	DEFINITION	EXTENT OF CONTROL
Micro environment	The micro environment refers to the business itself and is often also described as the internal environment.	Full control
Market environment	The market environment is an external environment over which the business has less/some control compared to the micro environment.	Some or limited control
Macro environment	The macro environment is often referred to as an external environment over which the business has no control.	No control



WAYS IN WHICH BUSINESSES CAN BE INVOLVED IN THE MACRO ENVIRONMENT

<p>Political aspects</p>	<ul style="list-style-type: none"> ▶ The business should investigate, research and understand the political climate of the country and understand the impact of the political climate on the operations of the business. ▶ The business should be educated regarding rules, laws and regulations that influence the business. ▶ The stability of the political climate informs the business to which degree they should or should not operate. <div style="text-align: center;">  <p>Political climate: <i>The state, mood and opinion of the political conditions of a country.</i></p> </div>
<p>Economic aspects</p>	<ul style="list-style-type: none"> ▶ The business should keep abreast of changes within the economy. ▶ A sound understanding of the functioning of the economy, its operations and global economic trends allow the business to make improved and informed decisions. ▶ Knowledge of the repo rate, prime interest rate and exchange rate improves decisions taken by the managers of the business. <div style="text-align: center;">  <p>Global economic trends: <i>Current issues and current changes within the global economy.</i></p> </div>
<p>Social aspects</p>	<ul style="list-style-type: none"> ▶ The business needs to find information on the various social aspects that influence the business. ▶ Knowledge of unemployment, crime statistics and societal trends benefits the business as they are able to better address the needs of their clients and society. ▶ The business must be able to investigate social and cultural trends and determine how the business can benefit financially from this information. <div style="text-align: center;">  <p>Societal trends: <i>Activities that are participated in by members of a society as a whole.</i></p> </div>

<p>Technological aspects</p>	<ul style="list-style-type: none"> ▶ The business must use updated technology in all aspects pertaining to the running of the business and not just within the production of their goods and services. ▶ Businesses can make use of social media and technology to make customers aware of products sold by the business. ▶ The use of updated technology will directly affect the profitability of the organisation.
<p>Legal aspects</p>	<ul style="list-style-type: none"> ▶ Research and training on the various legislations must take place within the business for management and staff. ▶ Improved understanding of the legislations will reduce the financial impact on the business of the legislations in the long term. ▶ The business must apply all these legislations in the context of all the operations of the business.
<p>Environmental aspects</p>	<ul style="list-style-type: none"> ▶ The business can make an effort to use more environmentally friendly production techniques. ▶ The business can find ways of reducing their carbon footprint and implement these measures within the business. ▶ The business can outsource resources from suppliers involved in environmentally sustainable practices. <div style="text-align: center;">  <p>Environmentally friendly production techniques: <i>Production techniques that are not harmful to society.</i></p> </div> <div style="text-align: center;">  <p>Environmentally sustainable practices: <i>The incorporation of the correct and wise utilisation of resources aimed at reducing pollution, reducing energy usage and reducing emissions.</i></p> </div>



ADVANTAGES OF BUSINESSES THAT ARE INVOLVED IN THE MACRO ENVIRONMENT

- ▶ It will provide businesses an opportunity to understand the functioning of the variables in the macro environment.
- ▶ Evaluating the variables of the macro environment influences the way in which businesses make decisions.
- ▶ Businesses need to keep abreast of changes within the macro environment as this can directly influence the functioning, existence, and future of the business.
- ▶ When businesses are involved in the macro environment, they are better able to prepare for the changes that occur within this environment.
- ▶ By understanding the various political, economic, social, technological, legal and environmental factors that affect the business, the business can then determine the effect of these factors on the operations of the business.
- ▶ Businesses can therefore devise the appropriate strategies to address the challenges of the macro environment.



TOPIC 2: CHALLENGES OF THE BUSINESS ENVIRONMENTS

CHALLENGES OF THE MICRO ENVIRONMENT

CHALLENGE	EXPLANATION
Difficult employees	<ul style="list-style-type: none"> ▶ Businesses employ workers from different language groups, cultures, religions, traditions, and diverse backgrounds. ▶ The business needs to now create ways of having a harmonious and productive work environment in order to achieve the goals of the business. ▶ However, the harmonious and productive environment is not realised when employees from diverse backgrounds cannot work together. <div style="border: 1px solid black; border-radius: 15px; padding: 10px; margin: 10px 0;">  <p>Productive environment: A business environment in which appropriate quantities of goods are manufactured (produced).</p> </div> <ul style="list-style-type: none"> ▶ Cultural sensitivity and diversity training are therefore provided by businesses in order for workers to understand one another better in an attempt to improve the workplace environment. <div style="border: 1px solid black; border-radius: 15px; padding: 10px; margin: 10px 0;">  <p>Cultural sensitivity: Being aware and acting appropriately regarding cultural differences and cultural similarities.</p> <p>Diversity training: Training aimed at reducing prejudice and discrimination in order to promote improved workplace practices because of differences between various groups within the workplace.</p> </div> <ul style="list-style-type: none"> ▶ In other cases, some employees cannot get along with other employees, and are frustrated and unhappy and this is transferred to other employees resulting in a negative working environment.


<p>Unmotivated employees</p>	<ul style="list-style-type: none"> ‣ Often employees become accustomed to their tasks and duties and over time they complete these tasks and duties with less effort and rigour. ‣ When employees are unmotivated, overall productivity in the business decreases and goals and objectives of the business are not realised. ‣ The business therefore needs to apply ways of keeping employees interested in their work as well as ways to improve their motivation. ‣ This can be done by having regular workshops and sending employees on training courses relevant to their job (duties).
<p>Lack of vision and mission</p>	<ul style="list-style-type: none"> ‣ The vision and mission of the business must be concise as this influences successful implementation of the vision and mission within the business. ‣ The vision and mission inform the goals and objectives and when the vision and mission is unclear or outdated it influences the way in which the goals and objectives of the business are achieved. ‣ Often, over time, the vision and mission of the business needs to be reviewed and updated in order to reflect current market needs. ‣ A lack of vision and mission affects the overall productivity in the business and can result in wastage of crucial organisational resources. ‣ A lack of vision and mission causes confusion amongst employees and in some cases, it can result in the failure of the business.
<p>Lack of adequate management skills</p>	<ul style="list-style-type: none"> ‣ Managers need to be trained on the various aspects that influence the operations of the business. ‣ Managers need to understand how to address staff, customers, and suppliers alike. ‣ Sometimes managers are not effective communicators and as a result subordinates are confused regarding their tasks. ‣ The productivity and profitability will decline as a result of inadequate management. ‣ Businesses need well-trained managers as they are fundamental in the execution and achievement of the overall organisational goals and objectives.

<p>Trade unions</p>	<ul style="list-style-type: none"> ‣ Trade unions protect the economic interests of workers and aim to prevent worker exploitation in the workplace. ‣ When workers are unhappy they approach their trade unions and therefore employers need to be transparent when dealing with trade unions. ‣ Trade unions negotiate on behalf of workers for better working conditions and better remuneration. <div style="border: 1px solid black; border-radius: 15px; padding: 10px; margin: 10px 0;"> <p>Economic interests: <i>The right of the employee to share in the profitability of the company in the form of fair wages, improved wages, bonuses and financial benefits.</i></p> <p>Worker exploitation: <i>Abusing workers by paying them unfairly, working in terrible working conditions and treating them inhumanly.</i></p> </div> <div style="display: flex; align-items: center; margin: 10px 0;"> <div style="border: 1px solid black; border-radius: 10px; padding: 5px;"> <p>Remuneration: Salaries and wages paid to workers.</p> </div> </div> <ul style="list-style-type: none"> ‣ Some workers also require time off in order to deal with trade union related duties. ‣ Engaging with trade unions and allowing employees time off to deal with trade union related duties influences the operations of the business.
<p>Strikes and go-slows</p>	<ul style="list-style-type: none"> ‣ Employees participate in strikes and go-slows when their demands have not been met during bargaining councils. ‣ Strikes and go-slows are deliberate attempts by the employees to force employers to meet their demands. ‣ During times of strikes and go-slows there is very minimal to no productivity in the workplace and as a result, organisational objectives are not achieved. ‣ The decline in profitability during periods of strikes and go-slows has a knock-on effect on the economy. <div style="display: flex; align-items: center; margin: 10px 0;"> <div style="border: 1px solid black; border-radius: 10px; padding: 5px;"> <p>Knock-on effect: One event or action that causes several other events or actions.</p> </div> </div>

<p>Outdated goals and objectives</p>	<ul style="list-style-type: none"> ‣ The goals and objectives of the business should reflect the current trends in the consumer market. ‣ Businesses need to analyse whether their goals and objectives are relevant to the needs of the business and make the necessary objectives. ‣ Resources will therefore be used more efficiently, and productivity and profitability are likely to increase when the goals and objectives reflect contemporary business practices.
<p>Lack of task-specific skills</p>	<ul style="list-style-type: none"> ‣ South Africa has a surplus of unskilled labour and often there are not enough suitably skilled employees for vacant posts in the businesses. ‣ Businesses have to spend large amounts of money on the training of their staff. ‣ Businesses need to train staff so that they are aware of current developments within the industry. ‣ When opportunities are provided to improve the skills of the employees, they are better able to complete their tasks, and in this way organisational goals are better achieved.

ENVIRONMENTAL SCANNING TECHNIQUE (INDUSTRIAL ANALYSIS TOOL) FOR THE MICRO ENVIRONMENT

- It is important for the business to conduct environmental scanning on the THREE business environments in order to understand the effect of the challenges posed by the THREE environments on the business.
- The environmental scanning technique used to analyse the micro environment is a SWOT analysis.
- A SWOT analysis is a method of evaluating the internal strengths and weaknesses of the business and the external threats and opportunities of the business.

INTERNAL	STRENGTHS	WEAKNESSES
	<ul style="list-style-type: none"> ‣ Strengths are the characteristics possessed by the business that contributes to the success of the business. ‣ Strengths are all the activities, processes and methods applied by the business that contributes to achieving overall organisational goals and objectives. ‣ Strengths can be described as the advantages of the organisation, the core competencies, and the competitive advantage of the business. <div data-bbox="1299 710 1713 901" style="border: 1px solid gray; border-radius: 15px; padding: 10px; margin: 10px 0;"> <p>Competitive advantage: <i>A condition that places the business in a superior position with customers because of differentiating factors.</i></p>  </div> <ul style="list-style-type: none"> ‣ Strengths are found within the micro environment. <p>Examples of strengths:</p> <ul style="list-style-type: none"> ‣ A skilled workforce ‣ Productive employees ‣ Achieving sales targets ‣ Meeting the needs of customers ‣ Conducting effective market research 	<ul style="list-style-type: none"> ‣ Weaknesses are the characteristics possessed by the business that contributes to the failure of the business. ‣ Weaknesses occur as a result of the incorrect application of activities, processes and methods that contributes to not meeting the overall organisational goals and objectives. ‣ Weaknesses can be described as the disadvantages of the organisation, departmental inefficiencies and the dispossession (lack) of a competitive advantage. ‣ Weaknesses are found within the micro environment. <p>Examples of weaknesses:</p> <ul style="list-style-type: none"> ‣ High employee turnover ‣ Unproductive employees ‣ Underachieving sales targets ‣ Not meeting the needs of customers ‣ Ineffectively conducting market research

EXTERNAL	OPPORTUNITIES	THREATS
	<ul style="list-style-type: none"> ‣ Opportunities are factors outside the business that may influence the business positively and could potentially improve the success of the business. ‣ Opportunities are currently not within the business but pursuing these opportunities may enhance the profitability of the business. ‣ Opportunities are not found in the micro environment, but are found outside the business in the market environment and the macro environment. <p>Examples of opportunities:</p> <ul style="list-style-type: none"> ‣ A competitor closes down ‣ A supplier is offering a massive discount ‣ New technology that could reduce the cost of production ‣ The state will incentivise businesses for being SDA compliant 	<ul style="list-style-type: none"> ‣ Threats are factors outside the business that may influence the business negatively and could potentially reduce the success of the business. ‣ Threats are currently not within the business but these potential threats may reduce the profitability of the business. ‣ Threats are not found in the micro environment, but are found outside the business in the market environment and the macro environment. <p>Examples of threats:</p> <ul style="list-style-type: none"> ‣ A competitor charges significantly less for products ‣ A main supplier can no longer supply inputs ‣ Increases in the price of fuel ‣ Increases in the repo rate

Worked example

Refer to the scenario below and compile a SWOT analysis of Goede Koop Traders

GOEDE KOOP TRADERS (GKT)

The marketing department of GKT has been conducting market research ineffectively. Measures need to now be applied by the owner, Max Goede, to monitor this department. Despite this, GKT prides itself at providing ongoing training to subordinates. Increases in the repo rate will influence the ability of the business to repay its debt. Furthermore, the evaluation of the environmental scanning presented data that could influence the productivity of GKT. Goodbuy Stores, a competitor can no longer afford to operate and has decided to close down the business.

TIP
When compiling the SWOT analysis you must quote directly from the scenario.

Solution


STRENGTHS	WEAKNESSES
Despite this, GKT prides itself at providing ongoing training to subordinates.	The marketing department of GKT has been conducting market research ineffectively.
OPPORTUNITIES	THREATS
Goodbuy Stores, a competitor can no longer afford to operate and has decided to close down the business.	Increases in the repo rate will influence the ability of the business to repay its debt.



Explanation of why each quote above belongs to each component of the SWOT Analysis

STRENGTHS	REASON	WEAKNESS	REASON
Despite this, GKT prides itself at providing ongoing training to subordinates.	<i>This is a strength because it is a characteristic within (micro environment) the business that potentially contributes to the success of the business.</i>	The marketing department of GKT has been conducting market research ineffectively.	<i>This is a weakness because it is a characteristic within (micro environment) the business that may potentially contribute to the failure of the business.</i>

OPPORTUNITIES	REASON	THREATS	REASON
Goodbuy Stores, a competitor can no longer afford to operate and has decided to close down the business.	<i>This is a factor occurring outside (market environment) the business that may influence the business positively.</i>	Increases in the repo rate will influence the ability of the business to repay its debt.	<i>This is a factor occurring outside (macro environment) the business that may influence the business negatively.</i>

CHALLENGES OF THE MARKET ENVIRONMENT

CHALLENGE	EXPLANATION
<p>Competition</p> <ul style="list-style-type: none"> › Competitors' profiles must be conducted on competitors which illustrate their potential strengths and weaknesses. › The business can then use this information to improve its possession within the market. › Business need to be aware of competitors, especially powerful competitors and their influence over the environment. › When the market is saturated with many competitors, businesses find it difficult to operate. › A business, therefore needs to distinguish its goods from competitors and improve its competitive advantage. › The business needs to not only provide discounts to retain customers but should improve its overall efficiency and overall service delivery. 	 <p>Competitors' profiles: A component of competition analysis whereby the strengths and weaknesses and competitive differences of competitors are evaluated.</p>

<p>Shortage of supply</p> <ul style="list-style-type: none"> › A shortage of supply of key inputs influences the ability of the business to produce and provide goods and services to customers. › A shortage of supply is accompanied by increases in the prices of key inputs because of the scarcity of the inputs. › The increase in these costs are transferred to customers which may result in less customers purchasing goods from the business. › During periods of shortage of supply, businesses often have to purchase inferior alternatives which affects overall product efficiency. 	 <p>Inferior alternatives: Goods of a lower quality used to replace goods of the appropriate quality.</p>
<p>Changes in consumer behaviour</p> <ul style="list-style-type: none"> › The needs, wants and tastes of consumers are evolving all the time. › As the needs, wants and tastes of consumers evolve, so too must the business evolve and adapt to these changes. › Understanding consumer behaviour is therefore imperative and the marketing department plays a contributing role in this regard. 	 <p>Consumer behaviour: The manner in which consumers act in the consumer market regarding product purchasing trends.</p>
<ul style="list-style-type: none"> › Businesses need to keep abreast of changes in the market environment and anticipate as best possible if there is going to be a shortage of supply and take the necessary action. 	<ul style="list-style-type: none"> › Changes in the demand of consumers' influences what the business is selling and what the business is going to sell. › Businesses therefore spend lots of money on effective and continuous market research in order to understand the changes in consumer trends.