BUSINESS STUDIES

GRADE 11

TERM ONE

CHAPTER 1

INFLUENCES AND CHALLENGES OF THE BUSINESS ENVIRONMENTS

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This chapter consists of 11 pages

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

INFLUENCES AND CHALLENGES OF THE BUSINESS ENVIRONMENTS

Learners must be able to:

- Outline the components of the micro, market & macro environments. (Recap)
- Explain the reasons why businesses has more control over the micro environment/less control over market environment and less control over macro environment.
- Identify the challenges of the business environments from scenarios/case studies/statements and examine the extent of control a business has over these environments.
- Discuss/Explain/Describe how businesses can control the business environments.
- Recommend/Suggest ways in which businesses can be involved in the macro environment.
- Outline/Name/Discuss/Explain the challenges of the micro environment.
- Identify these challenges from given scenarios/statements. Quote from scenarios/Statements to support your answer.
- Differentiate between strikes and go-slows.
- Outline/Name/Discuss/Explain the challenges of the macro environment.
- Identify these challenges from given scenarios/statements. Quote from scenarios/Statements to support your answer.
- Recommend ways in which businesses can overcome competition in the market.
- Identify the impact of socio-cultural factors on businesses from scenarios/case studies and make recommendations on how businesses can address this challenge.
- Outline/Name/Discuss/Explain the challenges of the market environment.

Terms and Definitions

TERM	DEFINITION
Control	The power to influence or direct people's behaviour or the course of events.
Organisational structure	Framework for managers which shows the division of responsibilities and roles played by each stakeholder.
Organisational culture	Controls and influences the way in which the business is conducted
Vision	Reflects or predicts what the future will look like.
Mission statement	Shows what one does best every day in the business and how one should go about doing it.
Human resources	The personnel of a business organization regarded as a significant asset in terms of skills and abilities.
Suppliers	Factories/providers of goods/services that businesses would obtain/buy from in order to operate their businesses.
Competitors	Businesses which sell the same/similar products/services
Deforestation	Removal of trees to clear land to be used for another purpose, e.g. industrialization
Redressing	To make amends or to set right
Nepotism	The practise of showing favouritism towards one's family or friends in economic or employment terms
Retrenchment	Involuntary ending of a service contract of an employee by the employer due to operational requirements.
Go- slows	When employees work more slowly and with less effort than usual to try to persuade an employer to agree to higher pay
Trade union	An organized association of workers in a trade , group of trades, or profession formed to protect their rights and interest
Strike	A work stoppage as a form of protest or to strengthen one's bargaining position

Industrial action	These are actions that include strikes or go slows
Open market	A market where there is no control over who may provide goods and services or over the prices that can be charged
Demographics	Statistical data relating to the population and particular groups within it. Often incudes age, gender, income groups and occupation.
Psychographics	The classification of people according to their attitudes, aspirations and other psychological criteria.
Globalisation	Greater trade and collaboration between businesses or people in different countries which is enabled by technological advances and communication.
Physical environment	This is an environment that is comprising of the ecological elements such as natural disasters, air pollution, water pollution, deforestation, waste products or natural resources
Institutional environment	These are private-public partnerships which are formed between government and private enterprise
Redressing	To make amends or to set right
Nepotism	The practise of showing favouritism towards one's family or friends in economic or employment terms
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1 COMPONENTS OF THE MICRO, MARKET & MACRO ENVIRONMENTS. (RECAP)

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

1.1 Reasons why businesses has more control over the micro environment/less control over market environment and less control over macro environment

Micro environment

- Business owners and managers have a great deal of control over the internal/micro environment of business, which covers day-to-day decisions.
- They choose the suppliers they purchase/which employees they hire/the products they sell, and where they sell those products.
- They use their skills and resources to create goods and services that will satisfy existing and prospective customers.

Market environment

- Market environment for a business includes company related influences
- The market environment refers to influences that have an impact on the success in forming and keeping a sustainable business such as competition and suppliers.
- Businesses can influence their competitors by increasing the quality of their products in relation with competitor prices.
- The opposite can also be that suppliers' raw materials can influence the quality of business products.

Macro environment

- The market environment refers to the major external and uncontrollable factors that influence an organization's decision making.
- These factors include the economic/demographics/legal/political/social conditions/technological changes and natural forces.
- The above mentioned factors affect business performance and strategies.
- The external environmental conditions that affect a business are generally beyond the control of management and change constantly.

1.2 Ways in which businesses can be involved in the macro environment

- Influencing suppliers by signing long term contracts.
- Creating new uses for a product by finding new customers.
- Influencing regulators through lobbying and bargaining.
- Initiating bargaining sessions between management and unions.
- Influencing its owners using information contained in annual reports.
- Negotiating strategic alliance agreement through contractual processes.
- Knowing government regulations and operating within them.
- Keeping up with new technologies to improve production and marketing.
- Lowering its impact on the environment.
- Entering the global market by using the internet to source suppliers and customers.
- Working within the law to set up contracts.
- Taking advantage of economic changes such as exchange rate, tax breaks. .
- The business can stay informed about the challenges and developments in the macro environment and can adapt to challenges quickly.
- Entering the global market by using the internet to source suppliers and customers
- Working within the law can assist the business to set up contracts.
- Getting involved in research/development so that they can continue to operate.

1.3 Benefits/advantages of involvement in macro environment

- The business can more accurately predict future events, threats and opportunities that may arise
- The business can contribute to a healthier, more skilled and productive workforce
- It can protect natural resources and meet consumer needs in a sustainable way
- The business can contribute to wealthier consumers.
- Reduced industrial conflict and increase productivity.
- The business can accurately promote a cause that is a concern to the society.
- The business can contribute its expertise and resources that can influence the public opinion. This is called advocacy.

2 CHALLENGES OF THE BUSINESS ENVIRONMENTS

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

2.1 Explanation of the challenges of the business environment

2.1.1 Challenges of the micro environment

Difficult employees

- Difficult employees may have a negative attitude on new employees.
- They need a lot of supervision to complete their tasks satisfactory.
- Difficult employees can do harm to the enterprise image if they say negative things about the business.

Lack of vision and mission statement

- Lack of vision and mission statement will hamper meaningful guidance and leadership to employees.
- When there is no mission the business will lack focus/direction and single long term objective.

Lack of adequate managerial skills

- Lack of adequate managerial skills will result in the business not achieving its objectives.
- Managers may not be able to provide meaningful guidance and leadership to employees.
- Managers have different styles of managing and leading and this can be the source of enormous conflict with other managers and with staff.
- Ineffective management can affect the productivity and profitability of a business.

The impact of unions

- Trade unions may create tension between management and employees.
- Businesses may not be able to meet the demands of the trade unions.
- Once employees have a grievance against their employers relating to payments/workers' rights/work conditions they will declare an industrial dispute.

Strikes and go-slows

- Strikes and go-slows may affect the business negatively as it cannot meet its expected units of production.
- Employees may not report to work due to a complete shutdown strike.
- Employees may report to work but work slowly so that the business cannot meet its targets due to go slows.

Differences between a strike and go slow

STRIKE	GO-SLOW
-Temporary collective refusal of employees to work.	-The employees still carry on with their work, but at a much slower pace than normal.
-A collective, organised cessation of work by employees to force the employers to accept their demands.	-The employees aim to disrupt the workplace production.
-Workers will not be fired if they participate in a protected strike	-Workers participating in a go-slow are often punished , sometimes fired

Skills shortages among employees

- Businesses sometimes find it difficult to find suitable employees with skills and experience.
- Some businesses end up employing workers who are not qualified to do the job.
- Unqualified employees may contribute to bad decision making.

High employee turnover

- Employee turnover means that employees resign from the frequently.
- High employee turnover affects productivity, continuity and the recruitment process.

Employee absenteeism

- Employees' absenteeism reduces productivity and affects profitability.

2.1.2 Challenges of the market environment

Competition

- Other businesses which sell similar substitute products pose a problem to/threaten the success of a business.
- It is difficult to compete with businesses selling the same products and services in certain countries.
- If a business is not able to match the quality of service/products and the price of its competitors, it will be in real danger.
- The challenges around competitors can be industry rivalry where businesses aim to sell more than competitors/new entrants with better products/cheaper or better substitutes.
- Businesses could find that they are unable to make sufficient profit when the demand is not high enough to support the supply of the same goods/ services.
- Essential for a business to have a regular supply of all the materials that are inputs in the production process.
- Dissatisfied customers can damage the reputation and threaten the future of the business.

Shortage of supply

- Businesses that experience shortage of supply may lose customers as they may buy from other businesses.
- Raw materials may be unavailable when drought cause poor harvest.
- Imported goods may not arrive when the country of origin has transport/political problems.

Changes in consumer behaviour

- A business is dependent on its customers to purchase its products.
- Consumers are influenced by many factors and are mostly unpredictable in their buying behaviour.
- Consumers' preferences and tastes can change as fashions change and as technology advances.
- Changes in consumer behaviour, spending habits, tastes and preferences present an on-going challenge to businesses.
- The challenges include keeping up with changes in consumer tastes and demand by doing research, finding ways to influence consumer demand and conducting advertising campaigns/consumer surveys.

Demographics and psychographics

- Consumers' attitudes, interests, opinions and lifestyles determine the characteristics of the consumer.
- It is difficult to determine the demographics/psychographics of the target market because they change frequently.
- The consumer market is diverse in the cultural and social background which has a direct influence on the choices they make.
- The challenges include collecting/interpreting information about the target market and to use the data to develop a marketing strategy.
- The demographics and psychographics can change quickly and businesses need to change just as quickly if they want to retain their customers.

Socio-cultural factors

- Social-cultural factors describe the common behaviour and attitudes of a particular society.
- As society changes so will the cultural values and practices of individuals.
- Businesses must be aware of change and that they can avoid threats and take advantage of the new opportunities that the change may present.
- Businesses should be aware of social trends and influential campaigns that promote buying.
- The challenge is to gather information about changes and to respond to them by adapting practices to maintain and increase its customer base.

2.1.3 Ways in which businesses can overcome competition in the market

- Management must ensure that the business differentiates itself from the competitors by tapping into what the customer wants.
- Offering more personal services by being responsive to the customer's needs/ expectations.
- Offering low-cost extras such as improved credit terms/discounts/loyalty schemes etc.
- Charging the lower prices√ than that of the other businesses.
- Selling products of a superior quality/new products/services that the customers might be interested in.
- By being the best employer that has well trained/knowledgeable staff members that create a better working atmosphere.
- Stepping up the marketing of the business by using promotional ideas such as posters or campaigns on social media.
- Updating the image of the business such as painting the front of the premises/ making the business looking modern/ inviting.
- Keeping up with developments in the sector of the business sector, following consumer trends/investing in new technology.
- Improving on customer services and keeping them happy.

2.1.4 Challenges of the macro environment

Change in income levels

- Factors such as unemployment/high interest rate can leave consumers with less disposable income.
- Reduced in consumer spending will results in lower profit for businesses.

Political changes

- A change in government can result in political instability and scare away potential investors.
- A business that relies on imported/exported goods may be challenged by government's attitude on duties and tariffs to be imposed.

Contemporary Legislation

- The government has established the National Credit Act and Consumer Protection Act to protect businesses and customers.

Labour restrictions

- The government has passed a number of laws which impose restrictions on businesses labour practices.
- These restrictions pose a challenge to businesses that have to find the right candidate for the job.
- These restrictions make it a challenge for business to employ suitable people locally and internationally.

Micro lending

- Micro lending is granting of small loans to people who cannot obtain credit from banks.
- Micro-lending puts pressure on businesses since they want to support micro businesses, but they are a big risk as many fail and cannot repay debt.
- Micro-lending puts pressure on businesses since they want to support micro businesses, but they are a big risk as many fail and cannot repay debt.

Globalisation/international challenges

- Globalisation refers to the exchange of products/services/capital and labour across boundaries/countries.
- Local businesses are competing with international businesses for local consumers
- Businesses should be aware of global networks and their effects.
- The overseas migration of skilled labour can results in local skills shortage.
- This means more competition for businesses that are already under pressure to compete locally.
- Some international businesses dump their product lines in South Africa at the price lower than those at which local businesses can afford to sell them.

Social values and demographics

- People's values influence some of their buying behaviour habits as they buy products that they identify with.
- Attitudes towards saving and brand loyalty can impact on consumers' habits.

Socio economic issues

- Businesses are faced with many challenges of poverty, unemployment, inadequate education, skills shortages, crime and HIV and Aids.
- All these make running a successful business very difficult.

2.1.5 Examples of how challenges of business environments can be assessed using scenarios

VASHNIE FASHION DESIGNERS (VFD)

Vashnie Fashion Designers employ fashion designers who are always late for work despite several warnings. The government has increased import tariffs, making it difficult for VFD to continue importing designer clothing from China. VFD purchase their raw materials from Ditebogo Clothing Manufacturers who are usually out of stock.

- You will have to identify the challenges that are faced by the international company and motivate your answer by quoting from the scenario.
- Classify the identified challenges according to their business environment.
- The extent of control international companies have over EACH business environment mentioned is also expected to be known.

Suggested answers

CHALLENGE	BUSINESS ENVIRONME	EXTENT OF CONTROL
VFD has employed designers who are continuously late for work despite several	Micro-environment	Full control
VFD purchases their material from Ditebogo Clothing Manufacturers who is usually out of stock.	Market environment	Less/limited/partial/can influence
The government has increased import tariffs, making it difficult for VFD to continue importing designs from China.	Macro environment	No control

2.1.6 Examples of contemporary legislation

National Credit Act

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

Consumer Protection Act

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

Employment Equity Act

- This act is there to eliminate unfair discrimination in the business against race, colour, age, gender, religion or disability.
- It ensures that the demographics make-up of the country is reflected at all levels in the business

Broad Based Black Economic Empowerment Act

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

Basic Conditions of Employment Act

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

Labour Relations Act

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

Skills Development Act

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

Compensation for Occupational Injuries and Diseases Act/COIDA

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