GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

BUSINESS STUDIES

GRADE 11

PAPER 1

TERM 1

REVISED NOTES

INFLUENCES ON, AND CONTROL FACTORS RELATING TO THE BUSINESS ENVIRONMENTS

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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 have 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.
- Recommend/Suggest ways in which businesses can be involved in the macro environment.
- Discuss/Explain the benefits/advantages of businesses that are involved in the macro environment.

TERMS AND DEFINITIONS

TERM/CONCEPTS	DEFINITION/MEANING
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

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	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
Retrenchment	Involuntary ending of a service contract of an employee by the employer due to operational requirements.
Trade union	An organized association of workers in a trade, group of trades, or profession formed to protect their rights and interest

1. 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 suppliers • Changes in consumer behaviour • Demographics and psychographics • Socio-cultural factors	• Change in income levels. • Political changes • Contemporary legal legislation • Labour restrictions • Micro lending • Globalisation/international challenges • Social values and demographics • Socio economic issues • Socio -economic challenges.

1.1 Explanation of the challenges of the business environment

1.1.1 Challenges of the micro- environment

Difficult employees

- Difficult employees may have a negative attitude on new employees.
- Employees that always complain about work systems and processes.
- They need a lot of supervision to complete their tasks satisfactory.
- Employees that are lazy and not committed to doing their work, this may cause delays and so deadlines will not be met.
- Difficult employees can do harm to the enterprise image if they say negative things about the business.
- Difficult employees are those who do not support the vision and goals of the business – their action may lead to conflict in the workplace, which could then break down the team spirit.

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 vision and mission means that management and staff have different ideas about the goals of the business.

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- It may lead to conflict and negatively affect productivity.
- Business will not be able to allocate resources efficiently and they may struggle to succeed.

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.
- A manager with poor management skills may struggle in dealing with subordinates which can lead to an unhappy/frustrated workforce
- If the departments are poorly managed, then resources will be wasted and the productivity and profitability will decrease.

The impact of unions

- Sometimes unions make demands that are impossible for business to meet, and this creates tension between management and employees
- Once employees have a grievance against their employers relating to payments/workers' rights/work conditions they will declare an industrial dispute.
- Unions are organisations that are established to protect the interest and rights of employees in the workplace.

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.
- A go-slow means that employees report for duty as normal but deliberately work at a slower pace. The business will not meet its target and profitability may decrease.
- Strikes and go-slows are examples of industrial action that may be organised by a trade union and have a negative impact on business operations.
- When managers and employees cannot sort out their differences, employees may engage in strike or go-slow.
- Strike means employees refuse to go to work or they do not work until their complains have been addressed by the business. The business loses many hours of production time for the period of strike.

Shortage of skilled 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.
- If employees were not well trained, their performance will not meet the required standard set by the business. This could then lead to poor customer service, which will negatively impact on the image of the business. Business may lose customers to other competitors with better services.

High employee turnover

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

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Employee absenteeism

- Employees' absenteeism reduces productivity and affects profitability.

1.1.2 Challenges of the market environment

Competition

- Competition refers to business that produce or sell the same kind of goods or render similar services.
- Increased completion forcers businesses to decrease their prices and so their profit margins decrease. This leads to some businesses close down because they are not able to cover their cost of production
- 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 lose its customers
- 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 supplier

- 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.
- Every business needs raw materials to produce its goods or services. Without the availability of raw materials, a business cannot produce its product or services to meet the demands of its target market.
- Business depends on suppliers for their raw materials/inputs. If the supply of raw material or inputs is disrupted, the business productivity and profitability will also decrease.
- If the supplier is incapable of delivering raw material on time, in the right quantities, and of the right quality and price, it will cause a business to lose customers, not meet its sales targets and suffer a decrease in profits

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.
- Economic conditions or fashion can cause changes in consumer taste and preference, this could lead to fewer sales.
- Changes in consumer behaviour, spending habits, tastes and preferences present an on-going challenge to businesses.
- Business are forced to continuously study these changes so that they can provide goods or services that consumers always need.
- Business, therefore, needs to work harder in their marketing efforts/s or adapt their products or service to meet the requirements of the target market.
- Changes in consumers' needs may lead to stockpiling and reduced profit margins.

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Influence of the business environments

Demographics

- Demographics refers to the statistics of the population such as gender, age, race, level of education and level of income.
- 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 challenge faced by businesses is that there are constant changes in the demographic characteristic of their target market.
- For example, people living longer, and this could lead to an increased demand of goods and services.
- When lots of people emigrate, it could lead to a decrease in the number of consumers and skilled labour.

Psychographics

- Psychographics refers to customers' lifestyles and behaviour. It includes their attitudes, interests, opinions, desires, and lifestyles.
- Businesses must be aware of their customers' lifestyles and behaviour.
  This will enable them to run more effective marketing campaigns. However, it could be difficult to determine the psychographics of a target market because customers' lifestyles and behaviours change frequently.
- 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.

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.
- Socio-cultural factors include language, customs, income levels and preferences associated with particular culture.
- 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.
- It affects the product line and the marketing campaign of a business.
- Business need to ensure that their marketing campaign are not offensive to cultural group
- Socio-cultural factors have an impact on the market environment. They shape the way people live, work, produce and consume.
- The challenge business face is to that of clear understanding factors that drive socio-cultural changes to respond appropriately.

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1.1.3 Ways in which businesses can overcome competition in the market.

- Businesses must ensure that they produce unique/ differentiated goods or services for the target market.
  Businesses need to provide more personalised services by being responsive to their customer's needs/wants.
- Goods/services must be priced lower than competitor's goods/services in the market.
  Businesses must produce high-quality goods/services that the customers might be interested in.
- Create a positive image/publicity through regular engagements in community development projects.
  Businesses must improve on customer services and keep customers happy. Businesses must create a positive outlook by regularly renovating their premises and improving their systems.
- Businesses must undertake good marketing campaigns that will draw the attention of the target market.
  Businesses must offer low-cost extras such as improved credit terms/loyalty schemes, and so on.
- Businesses must ensure that they have well-trained and dedicated employees that create a better working atmosphere.
- 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.

1.1.4 Challenges of the macro environment

Change in income levels.

- The number of goods/services that consumers can purchase is determined by their net income.
- Net income is the gross income minus all deductions. When consumers net income decrease, they are only able to buy goods and services that are necessary, and so the profitability and productivity of the business will decrease.
- Factors such as unemployment/high interest rates, high inflation rates, or an increase in taxes, leave consumers with less money to spend on goods and services.
- Reduced in consumer spending will results in lower profit for businesses.

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Political changes

- A change in government can result in political instability and scare away potential investor and tourist and in turn threatens the survival of a business.
- A business that relies on imported/exported goods may be challenged by government's attitude on duties and tariffs to be imposed.
- The government decides its own objectives and ideologies.
- With a change in government, businesses have to adapt to new laws and policies
- In some countries, there is high level of political instability and civil war. That makes it very difficult for businesses to operate there efficiently and profitably.

Contemporary legal legislation

- Other new laws that present a challenge to businesses are the National Credit Act (NCA) (No. 34 of 2005), Consumer Protection Act (CPA) (No. 68 of 2008), and the Labour Relations Act (LRA) (No. 66 of 1995).
- The government has passed laws to check activities and operations of businesses.
- Businesses that fails to obey these laws could be fined or owners should be sent to prison.
- Businesses must comply with legislation in place- which is not always easy to do. For example, the employment equality act (EEA) (No.55 of 1998) compels businesses to give preference to previously disadvantage individuals when appointing new employees into the business. Sometimes this is difficult to do because candidates might not have the right qualifications or experience.

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.
- These laws create a legal framework that protects employees from being exploited by the employers, and also restrict the practice of employers.
- Some employers find this legal framework restrictive while others see it as an important part of protecting the rights of employees and ensuring democracy in the workplace.

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 fails and cannot repay debt.
- They normally charge higher interest rate and their repayment period is shorter that those of commercial banks.
- There is little protection for those who make use of these loans because micro-lenders are not regulated by the South African banking Acts (No.94 of 1990) and so do not subscribe to the code of banking practice of South Africa.

Globalisation/International trade

- 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 result 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.

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Influence of the business environments

- Dumping makes it difficult for local businesses to be competitive in global market.
- The benefits of globalisation is that it has led to the faster and easier transfer of knowledge and skills between countries.

Social values and demographics
Social values

- People's values influence some of their buying behaviour habits as they buy products that they identify with.
- Social values can impact on consumers buying habits, it includes attitudes towards saving and brand loyalty. Business cannot control consumers social value.
- These include the beliefs, norms, and values that are shared by a particular society or a group of people.

Demographic

- This refers to the characteristics of the population such as age, gender, race and so on.
- Changes in the characteristics of demographic of the population affect the product/service that businesses need to produce.
- Entrepreneurs need to remain informed of changes in demographic.

Socio-economic issues

- Socio-economic issues like crime, poverty, HIV/AIDS and corruption influence business operation in different ways. Many businesses suffer losses because of crime and corruption.
- Businesses have to spend a lot of money on insurance to secure themselves against crime. Which in turn leads to a higher cost of production and a decrease in profits.
- HIV/AIDS pandemic has contributed to the illness and death of many productive members of society. This further leads to a decrease in the size of the labour force, and decrease in the size of the consumer marker
- All these makes running a successful business very difficult.

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 has over EACH business environment mentioned is also expected to be known.

Suggested answers.

CHALLENGE	**BUSINESS ENVIRONMEN**	**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.

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Influence of the business environments

The government has increased import tariffs, making it difficult for VFD to continue importing designs from China.	Macro environment	No control

1.1.5 Examples of contemporary legislation that may affect business operations

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 workplace 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 brings healthy industrial relations in the business between the employers and the employees.

Skills Development Act

- The main aim of this Act is improving 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.

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