GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

BUSINESS STUDIES

GRADE 11

TERM ONE

CHAPTER TWO

ADAPTING TO BUSINESS CHALLENGES OF THE BUSINESS ENVIRONMENTS

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CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

ADAPTING TO CHALLENGES OF THE BUSINESS ENVIRONMENTS

Learners must be able to:

- Explain/Discuss/Recommend ways in which businesses can adapt to challenges of the micro, market and macro environment e.g.:
  - Businesses can deal with difficult employees as a micro-environment challenge by revisiting the recruitment & induction policies.
- Define/Explain/Discuss/Describe the following ways in which businesses can adapt to challenges of the macro environment:
  - Information management
  - Strategic responses
  - Mergers, takeovers, acquisitions and alliances
  - Organisation design and flexibility
  - Direct influence of the environment and social responsibility
- Give practical examples of mergers, takeovers, acquisitions and alliances.
- Identify these examples from given scenarios/ statements.Quote from these scenarios/statements to support your answer.
- Suggest ways in which business can have a direct influence on the environment.
- Recommend projects that can be undertaken by businesses as part of social responsibility and explain the benefits of these projects for businesses.
- Define the term *lobbying*
- Discuss /Explain the reasons why businesses lobby
- Explain/discuss/describe the following types of lobbying e.g.:
  - Hedging against inflation
  - Bargaining sessions between management and unions,
  - Influencing supervisory body/regulators
- Explain the meaning and the importance of networking.
- Give practical examples of networking.
- Discuss/Explain/Describe the advantages of networking.
- Define the meaning of power relationships.
- Discuss/Explain/Describe ways businesses can form power relationships e.g.
  - Strategic alliance agreements
  - Persuasion of large investors,
  - Company representatives' influence
- Identify lobbying, networking and power relationships from given scenarios/case studies/statements.

Terms and Definitions

Term	Definition
Information management	The finding, recording, storing and retrieving of information from various sources so that it can be used effectively by the business.
Strategic response	A reaction to a need by developing a system that will meet the long term that has been identified.
Merger	When two businesses of similar sizes willingly combine to become one.
Takeover	The act of assuming control of something especially when one company buys out another company against its will.
Alliances	An association formed between organisations with similar interests, nature or qualities for mutual benefit.
Hedging	Is when one tries to invest his money in such a way that its value grows faster than inflation.
Networking	Interacting with others to exchange information and develop professional contacts to help in gaining ne customers, better suppliers, etc.

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1 Introduction

- Businesses operate in dynamic business environments that pose many challenges on their operations.
- The profitability and success of businesses depend on how they respond to challenges posed by the internal and external business environments.
- Businesses operate within the political context of the country, therefore changes in governance of the country can have a negative impact on businesses.
- There is an increasing trend for people to move freely between countries and for businesses to trade across international borders.
- Businesses need strong relationships to succeed in the market place.

2 Ways in which businesses can adapt to challenges of the micro, market and macro environment.

Ways business can adapt to the challenges of the MICRO environment

CHALLENGES	RECOMMENDATION
Difficult employees	• Businesses can deal with difficult employees as by revisiting the recruitment & induction policies. • Businesses need to develop strategies to deal with different types of personalities. • Businesses must offer counselling sessions to employees with personal problems.
Lack of vision and mission	• Management must have a clear vision which is understood and communicated this to all employees. • The vision must and mission statement have to be implemented in a way that shapes the internal environment. • The vision and mission should direct the use of resources and actions of employees. • Businesses' values must be evident in their ethical standards and the way employees are treated. • Management must be able to anticipate changes in the internal environment so that they can plan goals and operations proactively.
Lack of adequate management skills	• A business manager needs to be skilled in technical aspects of their job and in dealing with employees. • Managers need good interpersonal and conflict resolution skills. • Managers must attend management and leadership causes. • Businesses may request mentors and coaches from successful businesses to train their managers.
Unions, strikes and go slows	• Managers need to deal fairly and transparently with trade unions. • They need to build relationships with union representatives so that through positive negotiations strikes can be avoided. • The business can also make use of the CCMA to help reach an agreement with the trade unions. • Employers need a labour relations strategy where a business engages positively and meaningfully with its employees before tensions rise and strikes are threatened. • Businesses must be able to manage employees in such a way that good working relationships are maintained and disputes are resolved timeously.

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3 Ways business can adapt to the challenges of the MARKET environment

CHALLENGES	RECOMMENDATION
Competition	• Businesses must take into account its entry into and operation within the market. • Conduct research and identify customer needs. • Offer products or services • Offer more personal services. • Ensure that the staff is well trained and knowledgeable.
Shortage of supply	• Select suppliers which are reputable/trustworthy and reliable suppliers. • Maintain a good relationship with suppliers. • Enter into contracts with suppliers to secure raw materials of good quality in sufficient quantities. • Select suppliers which are reputable, trustworthy and reliable. • Take over suppliers to ensure continuity of its supply. This is called backwards integration.
Change in consumer behaviour	• Marketing of the business should conduct an on-going research to investigate the general behavioural patterns. • The marketing manager must monitor and respond to changes in consumer patterns of consumption.
Demographics and psychographics	• Businesses need to ensure that their information is up-to date and accurate. • They need to interpret data accurately so that they can plan an effective marketing strategy and plan. • They need to keep track and study the attitude, taste and desires of the market.
Socio cultural factors	• The entrepreneurs need to remain informed of socio-cultural changes. • They must be able to respond to socio-economic factors by adapting the internal environment of the business. • Businesses must be able to modify the marketing strategy and marketing plan accordingly. • Business must employ people from diverse social and cultural groups so that they can get an inside view on how to meet the needs of the different groups.

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4 Ways in which businesses can adapt to challenges of the MACRO environment

The following ways in which business can adapt to challenges of the macro-environment will be discussed in detail below:

- Information management
- Strategic responses
- Mergers, takeovers, acquisitions and alliances
- Organisational design and flexibility
- Direct influence of the environment and social responsibility

4.1 Information management

- Information must be found/recorded/stored/easily retrieved and effectively used.
- Businesses need to implement an effective information management system which is accessible and useful to all staff.
- They should invest large capital into information technology (IT) system to update business operations.
- Modern IT solutions enable businesses to satisfy customer needs faster and better.
- Business may benefit from an increase in market share and profitability.

4.2 Strategic responses

- Management needs to design strategic responses to various challenges by analysing all information, identifying stakeholders' involved.
- Get a clear picture of each stakeholder's viewpoints and requirements
- Businesses need to be aware of new competitors in the market and they must be able to strategically respond to threats.
- They must make strategic plans to remain sustainable in a competitive market.
- Correct strategic responses assist businesses to identify the most important features of their products.

4.3 Mergers, takeovers, acquisitions and alliances

- Business sometimes have to make quick decisions to survive as a result of challenges from the business environments.
- They may implement mergers, takeovers, acquisitions and alliance as solutions to respond to the challenges of the environments.

Mergers

- This occurs when two companies join together and form one new business.
- When two businesses, usually by agreement become one.
- If it is a public company, then the shareholders will swop their shares in one company for the equivalent value of shares in the new merged company.

Takeovers

- The purchasing of a company (target) by another company (bidder) usually against the will of their targets.
- Businesses that take over existing companies by buying out its shares until the business has controlling interests.

Acquisitions

- A business buys another business at an agreed price.
- It usually occurs to private companies that are not listed.

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Alliances

- These are agreements when two or more businesses work together to achieve their objectives.
- Organisations with similar interest/nature/qualities choose to work together for the mutual benefit of both organisations.
- They remain separate and merely co-operate with one another.
  NOTE: You must be able to give practical examples of mergers, takeovers, acquisitions and alliances.

4.4 Organisational design and flexibility

- Organisational design describes how a business sis structured and how it communicates its culture.
- It is a process to integrate people/information/technology of an organisation so that improves the profitability of the business.
- Businesses need to be flexible in their organisational design and strategies so that they can compete in a changing market.
- They need to change the organisational design to adapt to a specific challenge.

4.5 Direct influence on the environment and social responsibility

- Direct influences on businesses usually results from legislation/trade agreements and competitor strategies.
- Successful businesses and their environment adapt to the unavoidable influences by creating a competitive environment.

4.5.1 Ways in which businesses can have a direct influence on the environment

- Businesses need to be flexible by getting involved in research/development so that they can continue to operate.
- Influence its suppliers by signing long term contracts.
- Create new uses for a product by finding new customers.
- Influence regulators through lobbying and bargaining.
- Initiate bargaining sessions between management and unions.
- Influence its owners using information contained in annual reports.
- Negotiate strategic alliance agreement through contractual processes.

4.5.2 Social responsibility

- Increasing pressure in the business environment is forcing businesses to become more socially responsible by giving back to communities.
- A business code of conduct should take into consideration the norms and values of the community in which it operates.
- When a business makes a commitment to environmental and social responsibilities it will deliver a tripple bottom line which includes planet, people and profit.

Projects that can be undertaken by businesses as part of social responsibility

- Businesses must allow employees to get involved in social development.
- Managers must protect the environment and participate in community upliftment programs.
- Environmental friendly campaigns
- Making donations to charity organisations
- Engaging in economic development
- Charity community projects
- Benefits for the business Increased sales due to customer loyalty.
- HIV and Aids awareness programs

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Benefits of CSI projects for businesses

- Increases employees' morale and job satisfaction when they are involved in social responsibility programmes.
- CSI projects may be used as a marketing strategy to promote their products.
- CSI projects promote teamwork within businesses.
- CSI helps to attract investors because of increased profits/income
- Promotes customer loyalty resulting in more sales.
- May attract experienced employees/increase the pool of skilled labour which could increase productivity.
- Positive/Improved image as the business looks after employees/conducts itself in a responsible way.
- A business may have a competitive advantage, resulting in good publicity/an improved reputation.
- The business enjoys the goodwill/support of communities.

5 Lobbying, networking and power relations

5.1.1 Meaning of lobbying

- Lobbying refers to the process of trying to influence legislation or parliamentary decision making.
- It involves acquiring public support for an issue such as children or animal rights.
- It is an organised process where individuals, business and organisations use their influence to change government policy. .
- Lobbying specifically applies to law-makers and government officials and it is a participatory approach to government.
- It is done by various people with similar motives, beliefs or commercial positions.

5.1.2 Reasons why businesses lobby

- Businesses lobby their regulator or supervisory body in order to try influence prices, policies, regulations and other decisions made by the regulator or the supervisory body
- Businesses or people lobby or change laws like, child labour laws, clean air and water laws, municipal regulations, etc.
- Their views are important and heard, thus making a difference and giving solutions to business challenges.
- Lobbying advances business men's cause and builds public trust.

5.1.3 Types of lobbying

Hedging against inflation

- Businesses use hedging to protect their financial investments by spreading the risk.
- Businesses invest surplus fund so that its value grows at a faster rate than inflation.
- They can hedge against inflation by investing their surplus assets/money in investments with intrinsic value e.g. gold/oil/property etc.
- The business use hedging by buying bonds, shares, property or buying precious metals like gold to protect capital from the effects of inflation.
- It is a method that businesses try to reduce the risk when unsure about possible price fluctuations.

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Bargaining sessions between management and unions

- These sessions enable employees to negotiate with employers as a group to protect employees' rights.
- Bargaining sessions prevent labour strikes and provide critical information to people in power
- Businesses make sure that their representatives are trained/skilled to negotiate own their behalf.
- The purpose of bargaining sessions is to find a win-win situation for all parties.
- Management will try to convince the union to accept its proposal and the union will try to persuade management to accept their demands.
- The outcome of a successful bargaining session can protect the business from the negative impact of strikes caused by loos in productivity.
- Businesses need to be fair/transparent to establish trust and good communication with unions.

Influencing supervisory body/regulators

- There are large number of supervisory bodies and regulators who operate in the business environment.
- Businesses take an active role in professional bodies.
- Through their membership/advocacy/submissions they may be able to influence changes to existing regulations.
- Business managers are involved in debates and discussions that shape public policies.
- Businesses influence and negotiate with these regulators to protect their own sustainability.
- It is in the best of interest of businesses to adhere to the guidelines and restrictions of these bodies in order to stay in businesses

5.2 Networking

5.2.1 Meaning of networking

- It refers to a coordinated activity where people who have a similar objective meet and exchange information and ideas.
- The goal of networking is to reach as many people as possible and to make every connection count.
- It is a tool that is used by businesses to increase sales
- Businesses can become a member of chambers of commerce and industry/ professional business clubs/ informal social groupings to meet new-contacts.

5.2.2 Examples of networking

- Formal networking: Organised local, provincial and national chambers of business, industry and commerce.
- Informal networking: Social and less organised coordination.
- For instance business managers often network while playing golf, attending sports events or getting involved in social programmes.
- Social media and the internet: New and cheap ways of businesses to network via on line forums and business groups

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5.2.3 Importance/Advantages/Benefits of networking

- Businesses can be attract new customers resulting to increased market share and profitability.
- Networking can be an excellent source of new perspectives and business ideas.
- Allows managers to build new businesses relationships and generate new business opportunities.
- Plays a role in the marketing and expansion of a business.
- Assists businesses in making future business decisions.
- Businesses can gain support when representation to various authorities is planned.

5.3 Power relations

5.3.1 Meaning of power relationship

- Power relations can be described as a measurement of a business‘s ability to control its environment and the behaviour of other businesses.
- A business forms relationships with its environment and markets.
- The power that the business has on the environment determines the status it holds within its industry.

5.3.2 Ways businesses can form power relations

Strategic alliance/Partnership agreements

- Businesses form partnership agreements in order to benefit each in each other’s involvement.
- These partnership alliances help parties involved to benefit in infrastructure development and scarce skills.
- These alliances are designed to build on the expertise of each partner and on the way and on the way in which they complement each other.

Persuasion of large investors

- If a business has a powerful investor, the business can often benefit from the relationship so that it can gain credit more easily and better deals from suppliers.
- Businesses invite powerful influential people to sit on their board of directors in order to get advice from those people.
- Having such powerful as part of the business may have a positive influence √ on the reputation and image of the business.
- If a business has a large/powerful investor, the business can gain credit more easy/get better deals from suppliers.

Company representatives’ influence

- This representative fulfils an important function in trying to persuade investors to invest in a particular business practice.
- People will make decisions based on the company’s image, personality, communication style and power of persuasion.
- Businesses must invest time and energy to recruit the right person for this job.

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