Outline components of the macro environment (Recap)

- Political
- Economic
- Social
- Technological
- Legal
- Environment

Description of the term 'CONTROL'

The power to influence or direct the behaviour of other organisations and institutions

Explain the reasons why businesses have MORE CONTROL over the MICRO environment

- All six components of the micro environments can be controlled by the management of the business.
- A business decides on the culture and goals by compiling a vision, mission statement, goals and objectives.
- Resources are organised by employing and managing staff.

Explain the reasons why businesses have LESS CONTROL over the MARKET environment

- All components of the market environment work independently of the business.

Explain the reasons why businesses have NO CONTROL over MACRO environment

- This environment operates outside of the influence of the business.
- Management of a business has absolutely no control over the components of the macro environment.

Discuss/Explain/Describe how businesses can control the business environments.

- Business has **full control** over the micro environment.
- Management of the business therefore has **no direct control** over any of the components in the market environment but **may influence** the components.
- Management of a business has absolutely **no control** over the components of the macro environment.

Discuss/Explain the benefits/advantages of businesses that are involved in the MACRO environment.

- It helps the management to have a complete understanding of the external or bigger environment.
- It helps identify opportunities and threats that would affect the business.

Recommend/Suggest ways in which businesses can be involved in the macro environment (PESTLE ANALYSIS)

Describe/Discuss/Explain the challenges of the MACRO environment.

MACRO ENVIRONMENT	INVOLVEMENT OF THE BUSINESS	CHALLENGE
POLITICAL	• Business need to work within all the laws & regulations set up by Government. • Regulation of industries control trade with other countries & protect local industries, customers and employees. • If a business is fully aware of all the regulations, it can ensure that it sets up appropriate trading channels.	• Some government policies may affect businesses. • Consumer rights organisations may prevent businesses from selling products if they do not meet certain requirements. • Trade agreements may prevent businesses from importing some medicine/products.
ECONOMIC	• This environment is subject to constant change. • Exchange rates changes constantly during the course of a day. • Business can take advantage of changes in exchange rates, seasonal price changes and government tax concessions if they have the requisite information.	• Inflation/Interest rates may negatively impact on business. • Loans may be expensive due to high interest rates. • Fluctuations in foreign currency may restrict import.
SOCIAL (cultural and demographic)	• These environments can offer useful information to the business • Business must ensure that they have all the information they can find about the people they are dealing with. • Information will allow the business to: - project an image appropriate to the target - market; - compete effectively, because it understands the competition; - attract investors effectively and - negotiate successfully with suppliers.	• Customers may not be able to afford products due to low income levels. • Businesses may not be conversant with the local language of their customers.

Outline/Discuss/Explain the challenges of the MICRO environment.

Challenges in the MICRO environment		
1.	Difficult employees	• The micro environment involves people with diverse lifestyles, values and ideas who work together in a confined space. • Challenges are bound to arise out of such circumstances. • Employees create a number of different challenges: – They cannot work in a team. – They create conflict with other employees. – They have a poor work ethic and low productivity. – They leave the organisation after being trained.
2.	Lack of vision and mission	• A clear focussed vision and mission statement is essential for the success of a business. • Sometimes business owners do not spend enough time formulating a clear vision and mission. • The business then lacks direction and can easily fail. • Lack of vision can affect the productivity of the employees.
3.	Lack of adequate management skills	• The management of a business has a major impact on the success of the business. • Different managing styles can be a source of enormous conflict with other managers and with staff. • Ineffective management can affect the productivity and profitability of a business. • Managers who lack skills must be guided to acquire these skills and put them into practice.

Industrial Analysis Tool for the MARKET ENVIRONMENT:

SWOT ANALYS

STRENGTHS	WEAKNESSES
• What advantages does your organisation have and what do you do better than anyone else? • What unique or lowest-cost resources can you draw upon that others can't? • Do you have skilled employees and a strong customer base? • Do you provide high quality product? • Do you have sufficient resources? • What is your core competency?	• High cost infrastructure • High employee turnover • Weak brand portfolio • High debts level • What are people in your market likely to see as weaknesses? • What factors cause loss of sales • Are your competitors doing any better than you?
OPPORTUNITIES	**THREATS**
• Market growth for the business product. • New technology that will enhance quality services and products • Changing customer habits. • Disposable income level will increase. • Government's incentives for 'specific industry • Growing number of people buying on line (electronic marketing) • What good opportunities can you spot?	• Corporate tax may increase • Rising pay levels. • Intense competition. • Increasing fuel price. • Aging population. • Stricter laws regulating environment pollution • Currency fluctuations. • Changing technology

TOPIC 4: CONTEMPORARY SOCIO-ECONOMIC ISSUES

TERM	DEFINITION
Contemporary socio-economic issues	Current societal and economic factors that impact on the business, e.g. HIV, poverty and unemployment.
Ethical behaviour	Acting in ways consistent with what society and individuals think are good values.
Professionalism	Describes the internationally accepted standards/expectations that society has of people's conduct and levels of competence in the workplace.
Labour Relations Act/LRA	This Act was introduced to promote simple procedures for the resolution of labour disputes in the workplace.
Diversity	The dimensions of race, culture, gender, age, physical abilities, religious beliefs in the workplace
Population growth	The increase of the amount of people in a country
Illiteracy	The inability to read or write
Renewable resources	Renewable resources such as solar and wind power and water are unlimited in supply
Non-renewable resources	The sustainability of the supply of some natural resources is non-renewable such as gas Most fossil fuels, minerals, and metal ores are non-renewable resources.
Personal gain	To use things from the business for yourself and not for the business
Fair dismissal procedure	The removing of someone from employment/discharge must be done according to the law
Dispute	A disagree between management and employer
Grievance	A real cause for complaint like unfair treatment

Overview of important socio-economic issues

- Business must come up with possible solutions and strategies to deal with the issues.
- Socio economic issues have a huge impact on businesses.
- It is in the interest of the business to try to lessen the impact by understanding each of the issues and the challenges they create.

List/Name/Give examples of contemporary socio-economic issues that pose a challenge to businesses

- Income inequality
- Inflation
- Social, cultural & demographic issues
- Economic crime
- Corruption and mismanagement of funds
- Population growth
- Illiteracy

Discuss the impact of contemporary socio-economic issues on business operations.

Income inequality	• There are huge inequalities in the income levels of people in South Africa. • With a large portion of the people of the country living in poverty, the buying power of the people is low and businesses are unable to grow and prosper.
Inflation	• As the value of money is reduced due to inflation, consumer's buying power decreases and sales of the businesses decreases. • Reduced sales figures, could lead to the business implementing cost saving methods. • Staff retrenchment is often the result leading to higher unemployment figures and further reduction in the buying power of the consumer.
Social, cultural & demographic issues	• South Africa's population is made up of diverse cultures, languages and religions. • Businesses must use diversity as an asset in making the business work because different people all provide different perspectives customers will have in the real world.
Economic crime	• Crimes committed for economic gain, involving deception and fraud. • <u>Examples</u>: Identity theft, credit card fraud and money laundering. • Huge problem for businesses, especially those that market their products via the internet.
Ethical misconduct (Sexual harassment, Corruption and Mismanagement of funds	• Refers to dishonest activities in which a person entrusted with authority in a business, acts contrary to the interest of the business. • Abuses his or her position of trust in order to achieve some personal gain. • Undermines business and negatively influences investment. • Businesses need to have policies and procedures in place to prevent these crimes.