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Notes Overview

Business Management 1A Unit 4

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CHAPTER 4

SA business environment:

1. Dynamic, changes from day to day
2. A company exporting/ importing to/ from USA/ European Union experiences constant fluctuations in the economic environment, for example the daily change in the official exchange rate
3. Dramatic changes in the price of petrol has a negative effect on the inflation rate and ultimately on the economy
4. Climate changes influence the price of food; vegetables are influenced by periods of draught, cold spells and wet spells

Change: an alteration to the status quo – implying in a business sense that there are alterations in the business environment which the business must take note of

Environmental variables:

1. Constantly changing the environment in which business organisations operate
2. Technological innovations
3. Economic fluctuations
4. Economic fluctuations
5. New laws
6. Social factors

The business environment: the sum of all of those variables which may influence the successful existence of the organisation

Three sub-environments of the business environment:

1. Micro-environment

2. Market-environments/ task environment
3. Macro-environment

Micro-environment: the business itself – the workers and managers, and the functional areas into which a business is divided. The main characteristic of the micro-environment is that management has almost complete control over things that happen in this environment. Management can decide on the price that it will charge for the product it sells, or how it is going to market the product to the customer

Market/ task environment: the immediate external sub-environment that has a direct influence on the business. For most businesses, this environment comprises customers, competitors and suppliers. It may also include middlemen (or distributors). Management can exert some control over this environment, but not as much as in the micro-environment

Macro-environment: the greater external environment that will influence the business to a greater or lesser extent. Management has the least control over what happens in the macro-environment. The effect of a change in the macro-environment must be accepted by the business and it must live with the consequences of this change

Components of the micro-environment:

1. The mission and objectives of the business
2. Organisational functions: the purchasing of necessary supplies and the logistics of getting the supplies to the right place, the marketing efforts needed to meet the needs and wants of the organisation, and the financial expertise needed to ensure that the profits are calculated correctly and that taxes paid to SARS are correct and paid over on time
3. Human resources: without the necessary skilled and enthusiastic personnel, a business may be forced to close its doors
4. Business practices that contribute to mitigating the effects of HIV/Aids:
 - a. Gathering information from partnerships and collaborations
 - b. Creating an HIV/Aids policy
 - c. Involving multiple stakeholders in policy and programmer development
 - d. Approaching HIV/Aids as any other debilitating disease
 - e. Designing workplace HIV/Aids programs to fit local cultures
 - f. Ensuring that the HIV/Aids policy is a living document
 - g. Using a comprehensive approach – focus on prevention, education and treatment, rather than just access to drugs
 - h. Intervening early
 - i. Getting support from the organisation's leadership
 - j. Providing ongoing education and training
 - k. Ensuring legal compliance
 - l. Supporting employees with HIV/Aids
 - m. Giving employees the opportunity to support the fight against HIV/Aids
 - n. Helping to build a local capacity

Components of the market/ task environment:

1. The consumer
2. Suppliers
3. Intermediaries – those institutions used to bridge the gaps between the manufacturer and the customer
4. Competitors

Opportunities and threats in the market environment: the business environment has a direct influence on the business – this is where competitors, customers and suppliers are. Crucial business transactions take place in this

environment. Most of a business's threats are found here. If a business finds it difficult to compete with a strong competitor, it may identify other needs it can satisfy in the community.

Variables of the macro-environment:

1. Changes in the macro-environment are called megatrends because they influence all the business worldwide
2. Technological environment
3. Economic environment: this environment has a direct influence on other variables in the micro-environment, the market environment and the macro environment
4. Social environment: influenced greatly by technological and economic environments. Includes HIV/Aids
5. Physical environment: focuses on physical resources that businesses and consumers use. Management of scarce resources
6. Institutional-governmental environment: for example, labour laws
7. International environment: this environment also has a major influence on other variables in the micro-environment, market environment and macro-environment

Environmental scanning: the process of measuring, projection and evaluation of change in the different sub-environments. It entails the identification and monitoring of every opportunity or threat. This must take place continuously and may differ from business to business

Characteristics of the business environment:

1. Variables are mutually interrelated
2. Instability is increasing
3. Uncertainty about the future due to lack of or unreliability of information
4. Complex environment: many variables may cause and influence change at the same time