

ADAPTING TO CHALLENGES OF BUSINESS ENVIRONMENTS

1 PAPER

1 TOPIC

Explain/Discuss/Describe the following ways in which businesses can adapt to challenges of the business environments:

1. Information management

- The information must be found/recorded/stored/easily retrieved and effectively used.
- Large capital should be invested into information technology (IT) systems to update business operations.
- Modern IT solutions enable businesses to satisfy customer needs more efficiently.
- The business may then benefit from an increase in market share and profitability

2. Strategic responses

- Strategic response refers to how businesses respond to challenges from both internal and external environments by putting proper plans in place.
- Management needs to design strategic responses to various challenges by analysing all information, and identifying the stakeholders involved.
- Businesses must have a clear understanding of each stakeholder's viewpoints and requirements.
- Businesses need to be aware of new competitors in the market and be able to strategically respond to their existence.

3. Mergers, takeovers, acquisitions and alliances

Mergers

- This occurs when two companies join together – usually by agreement – to form one new business.
- Emerged businesses share their resources which could lead to more growth and sustainability.

Takeovers

- Takeover occurs when one business takes control of another business through majority ownership of its shares, sometimes against the other business' will.
- It can also happen when one business buys out their shares of another one until the first business has controlling interests

Acquisitions

- This happens when a business buys another business at an agreed price.
- It usually occurs to companies that are not listed on the JSE.

Alliances

- Alliances refer to an agreement between businesses with common visions and work together for the benefit of all.
- Organisations with similar interests/nature/goals choose to work together for mutual benefits.

4. Organisation design and flexibility

- It involves the process of integrating the people/information/technology within an organisation to improve efficiency.
- Businesses need to be flexible in their organisational design so that they can adapt easily to challenges of business environments.
- The management structure of a business should reflect the environmental conditions that the business experiences.

5. Direct influence of the environment and social responsibility

- Businesses need to investigate alternative environmental friendly production techniques and create environmental awareness.
- Businesses can form joint ventures with other businesses and the government to protect the environment through conservation and preservation.
- Businesses also need to implement sustainable CSI programmes in order to improve the communities in which they operate.

Give practical examples of mergers, takeovers, acquisitions and alliances.

- Vodafone and Mannesmann merger: This merger, which took place in 2000, was worth over \$180 billion and is the largest merger deal in history.
- MTN and Afrihost acquisition: MTN bought up 50% of Afrihost's shares, and left the current Afrihost shareholders with the remaining 50% (MTN-Afrihost tie-up).

Identify these examples from given scenarios/ statements. Motivate your answer by quoting from scenarios/statements

How Businesses adapt to challenges in business environments

Information Management

Strategic Responses

Mergers, takeovers, acquisitions & alliances

Organisational design and flexibility

Direct influence of the environment and social responsibility

Suggest/Recommend ways in which business 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.
- They can influence their suppliers by signing long-term contracts for their raw materials at fixed prices.
- They can also influence their customer base by creating new uses of a product, taking customers away from competitors, finding new customers, and convincing them that they need the new product.
- They can influence regulators through lobbying and bargaining and can influence their owners using information contained in annual reports

List/Recommend projects that can be undertaken by businesses as part of social responsibility

- Businesses must protect the environment and participate in community upliftment programmes.
- Engage in environmentally friendly campaigns such as recycling or re-using scarce resources.
- Businesses must support less fortunate people, by providing donations to charity organisations.
- They can also engage in economic development and provide education on HIV/AIDS awareness programmes.

Explain the benefits of these projects for businesses.

- CSI helps to attract investors because of increased profits/income.
- Promotes customer loyalty resulting in more sales.
- Positive/improved image as the business looks after employees/responsibly conducts itself.
- A business may have a competitive advantage, resulting in good publicity/an improved reputation.

Define/Elaborate on the meaning of *lobbying*

- Lobbying is an organised process where individuals, businesses, and organisations use their influence to change government policy.

Discuss /Explain the reasons why businesses lobby

- Businesses or people lobby or change laws like child labour laws, clean air and water laws and municipal regulations
- Lobbying advances what the business must deliver on and builds public trust.
- Lobbying helps to find solutions to emerging generic challenges.
- Lobbying advances a cause and builds public trust

Explain/discuss/describe the following types of lobbying e.g.:

Hedging against inflation

- Businesses use hedging to protect their financial investments by spreading the risk. For example, they invest surplus funds so that its value grows at a faster rate than inflation.
- They can hedge against inflation by investing their surplus assets or money in investments with intrinsic value, for example, gold, oil, and property.

Types of Lobbying

Hedging against inflation

Bargaining sessions between management and unions

Influencing supervisory body

Bargaining sessions between management and unions

- These sessions enable employees to negotiate with employers as a group to protect employees' rights and prevent labour strikes.
- Businesses make sure that their representatives are trained/skilled to negotiate on their behalf.
- The purpose of bargaining sessions is to find a win-win situation for all parties

Influencing supervisory body/regulators

- There is a large number of supervisory bodies and regulators who operate in the business environment.
- Businesses take an active role in professional bodies.
- Business managers are involved in debates and discussions that shape public policies.

Define/Elaborate on the meaning of networking

- Networking refers to a coordinated activity where people who have similar objectives meet and exchange information and ideas
- Networking assists in acquiring new business leads.
- Networking benefits the business by helping to identify best practice.
- Networking can help the business identify new business trends.

Give examples of networking

- Formal networking: Organised local, provincial, and national chambers of business, industry, and commerce.
- Informal networking: Social and less organised coordination. For example, 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 for businesses to network is via online forums and business chat rooms.

Discuss/Explain/Describe the advantages of networking.

- Businesses can attract new customers resulting in increased market share and profitability.
- Networking can be an excellent source of new perspectives and business ideas.
- Allows managers to build new business relationships and generate new business opportunities.
- Plays a role in the marketing and expansion of a business.

Define/Elaborate on the meaning of power relationships.

- Power relations can be described as a measure of a business' ability to control its environment and the behaviour of other businesses.
- Power relations exist in all relationships in society.

Discuss/Explain/Describe ways businesses can form power relationships e.g.

Strategic alliance agreements

- Businesses form partnership agreements to benefit from 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 how they complement one another.

Persuasion of large investors

- If a business has a powerful investor, it can often benefit from the relationship by gaining credit more easily and negotiating better deals from suppliers.
- Businesses invite powerful influential people to sit on their board of directors and gain valuable advice from these people.
- Having such a powerful person as part of the business may also have a positive influence on the reputation and image of the business.

Company representatives' influence

- This representative fulfils an important function in trying to persuade investors to invest in particular business practices.
- 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.

Identify lobbying, networking and power relationships from given scenarios/case studies/statements

Ways businesses can form power relationships

Strategic alliance agreements

Persuasion of large investors

Company representatives' influence