

CHALLENGES OF BUSINESS ENVIRONMENTS



PAPER



TOPIC

CHALLENGES OF THE MICRO ENVIRONMENT

• Difficult employees

- Employees that always complain about work systems and processes.
- Employees that are lazy and not committed to doing their work. This may cause delays and so deadlines will not be met.

• Shortage of skilled employees

- If employees are not well trained, their performance will not meet the required standards set by the business.
- This could then lead to poor customer service, which will negatively impact on the image of the business

• Lack of vision and mission

- Lack of vision and mission means that management and staff have different ideas about the goals of the business.
- It may lead to conflict and negatively affect productivity.

• Lack of adequate management skills

- Managers who do not have the necessary management skills will not be able to lead, direct and control personnel and resources in the business.
- This will lead to businesses not achieving their goals and objectives.

• Unions

- Unions are organisations that are established to protect the interests and rights of employees in the workplace.
- Sometimes unions make demands that are impossible for businesses to meet, and this creates tension between management and employees.

- **Strikes and go-slows**

- When managers and employees cannot sort out their differences, employees may engage in a strike or a go-slow.
- A strike means employees refuse to go to work or they do not work until their complaints have been addressed by the business. The business loses many hours of production time for the period of a strike.

- **Employee absenteeism**

- **High employee turnover**

CHALLENGES OF THE MARKET ENVIRONMENT

- **Competition**

- Competition refers to businesses that produce/sell the same kind of goods or render similar services.
- If a business cannot match the quality/prices of the goods or services of its competitors, it may lose its customers.

- **Shortage of suppliers**

- Every business needs raw materials to produce its goods or services. Without the availability of raw materials, a business cannot produce its products or services to meet the demands of its target market.
- Businesses depend on suppliers for their raw materials/inputs. If the supply of raw materials/input is disrupted, the business' productivity and profitability will also decrease.

- **Change in consumer behaviour**

- Economic conditions or fashions can cause changes in consumer taste and preferences, this could lead to fewer sales.
- Changes in consumers' needs may lead to stockpiling and reduced profit margins.

- **Demographics**

- Demographics refers to the statistics of the population such as gender, age, race, level of education and level of income.
- The challenge faced by businesses is that there are constant changes in the demographic characteristics of their target market.

• **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

• **Socio-cultural factors**

- Socio-cultural factors include language, customs, income levels, and preferences associated with particular cultures.
- Businesses need to ensure that their marketing campaigns are not offensive to any cultural group.

WAYS IN WHICH BUSINESSES CAN OVERCOME COMPETITION

- Businesses must ensure that they produce unique/ differentiated goods or services for the target market.
- Goods/services must be priced lower than competitor's goods/services in the market.
- Businesses must improve on customer services and keep customers happy.
- Businesses must undertake good marketing campaigns that will draw the attention of the target market.

CHALLENGES OF THE MACRO ENVIRONMENT

Changes in income levels

- The number of goods/services that consumers can purchase is determined by their net incomes.
- Unemployment, high interest rates, high inflation rates, or an increase in taxes, leave consumers with less money to spend on goods and services.

Political changes

- With a change in government, businesses have to adapt to new laws and policies.
- A change in government can result in political instability – which can scare away possible investors and tourists, and in turn threaten the survival of a business.

Contemporary legal legislation

- The government has passed laws to check the activities and operations of businesses.
- Businesses that fail to obey these laws could be fined or the owners could be sent to prison.

Labour restrictions

- The government has passed several laws that impose restrictions on business operations.
- These laws create a legal framework that protects employees from being exploited by their employers, and also restricts the practices of employers.

Micro-lending

- This refers to individuals or businesses that grant small loans to those who cannot get credit from commercial banks.
- They normally charge higher interest rates and their repayment period is shorter than those of the commercial banks.

Globalisation/International trade

- Dumping makes it difficult for local businesses to be competitive in the global market.
- The migration of skilled labour can result in local skills shortages.

Social values

- These include the beliefs, norms, and values that are shared by a particular society or a group of people.
- It influences consumers' buying habits because consumers buy products they identify with.

Demographics

- This refers to the characteristics of the population such as age, gender, race, and so on.
- Entrepreneurs need to remain informed of changes in demographics.

Socio-economic issues

- Socio-economic issues like crime, poverty, HIV/AIDS, and corruption influence business operations in different ways. Many businesses suffer losses because of crime or 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.

EXAMPLES OF CONTEMPORARY LEGISLATION

LAW	EXPLANATION
The Labour Relations Act (LRA)	This legislation regulates the relationship between the employer and employees when resolving conflict in the workplace.
The Basic Conditions of Employment Act (BCEA)	This legislation provides the minimum acceptable standard for any employment policy. It describes the conditions of employment.
The Compensation for Occupational Injuries and Diseases Act (COIDA)	This legislation provides compensation for employees who sustain injuries or contract diseases while on duty. It also ensures that employers provide their employees with a safe and healthy working environment.
The Skills Development Act (SDA)	This legislation ensures that employers contribute towards the education and training of their employees.
Consumer Protection Act (CPA)	This act promotes and advances the social and economic welfare of consumers in South Africa.
National Credit Act (NCA)	This act was established to protect both businesses and consumers from negligent lending practices that could result in over-indebtedness by consumers.
Employment Equity Act (EEA)	This act is there to eliminate Unfair discrimination, such as discrimination against race, colour, age, gender, religion, or disability in the workplace.
Broad Based Black Economic Empowerment (BBBEE)	This act ensures that previously disadvantaged individuals fully participate in the economy.

Identify the challenges of the THREE Business from a scenario

Environments from given scenarios/statements. Motivate your answer by quoting from scenarios/statements