

INFLUENCES OF BUSINESS ENVIRONMENT

1

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1

TOPIC

MICRO ENVIRONMENT

Meaning:

- The micro environment is the internal business environment.
- The business has full/complete control over its micro environment.

Components:

- Vision, mission statement, goals and objectives (VMGO)
- Organisational Culture
- Organisational Resources
- Organisational Structure
- Management and leadership
- Eight business functions

MARKET ENVIRONMENT

Meaning:

- The market environment is the immediate external environment of the business.
- The business has some/little control over the market environment.

Components:

- Customers/Consumers
- Suppliers
- Intermediaries
- Competitors
- Other organisations/Civil Society (CBOs, NGOs, Regulators, Strategic Allies, Unions)

MACRO ENVIRONMENT

Meaning:

- The macro environment is the broad external environment of the business.
- Business has no control over the macro environment.

Components: (PESTLE)

- Political environment
- Economic environment
- Social (Cultural and Demographic environment)
- Technological environment
- Legal environment
- Environmental (Physical/natural environment or International/global environment)

CONTROL OVER THE MICRO ENVIRONMENT (4)

- Business can exercise control by:
 - establishing and revising vision, mission statement, goals and objectives in line with current trends
 - engages strategic management systems and ensures that plans are implemented and revised when necessary
 - ensuring that all the business' resources are used efficiently and effectively to the benefit of the business
 - ensuring that all employees understand the culture of the business, and are working toward the agreed goals and values that accommodate all the stakeholders of the business

INFLUENCE OVER THE MARKET ENVIRONMENT (4)

Customers:

- Entrepreneurs can influence the decisions of the consumers/customers by using a well-considered and well-executed marketing strategy.
- A business could attract and influence customers' decisions through good marketing campaigns such as promotional sales, discount prices, extended working hours and persuasive advertisements

Suppliers:

- Entrepreneurs could also influence the decisions and actions of their suppliers by signing long-term contracts for their inputs (raw materials) at fixed prices.
- Businesses could also buy in bulk to get discounts from their suppliers, and in this way ensure that they have adequate raw materials at all times.

Competitors:

- Although businesses have little or no control over their competitors, they might form a strategic alliance, join a community business forum, or form a consortium with other business owners to share ideas and resources to undertake a project that will benefit all the members of the group.

Regulators:

- A single business cannot influence the decisions of its regulators.
- Regulators are government bodies that make rules and regulations to check the activities of businesses.
- Businesses that join together could influence regulators to some extent.

Unions:

- Businesses can also influence the decisions of unions if they try to maintain a good relationship with them.
- Businesses can achieve this by engaging in a collective bargaining session with trade unions to explain certain concerning issues to the leaders to try to persuade them to side with their point of view.

INFLUENCE OVER THE MACRO ENVIRONMENT (4)

Factors that the business have no control over:

- Economic factors such as inflation rates and fluctuation in prices of foreign currency
- Technological factors such as changes in new technology and internet infrastructure
- Legal factors such as recent legislation and labour laws
- Environment factors such as climate change and environmental sustainability

WAYS IN WHICH A BUSINESS CAN BE INVOLVED IN THE MACRO ENVIRONMENT (4)

- Create job opportunities for the people in their communities
- Undertake social responsibility programmes to improve the welfare of people in the community
- Improve export markets by expanding into new African markets
- Provide education and training programmes for workers to improve service delivery

BENEFITS OF BUSINESSES THAT ARE INVOLVED IN THE MACRO ENVIRONMENT (4)

- They will attract and retain skilful employees in their communities
- Government tenders and contracts are normally given to businesses that are involved in the macro environment
- Businesses that support their communities normally get some tax rebates
- Top investors are attracted to businesses that are involved in macro environment