

MACRO ENVIRONMENT

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PAPER

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TOPIC

Define/Elaborate on the meaning of the macro-environment.

- The macro environment is a condition that exists in the economy as a whole, rather than in a particular sector region.
- The macro environment is also known as the external environment.
- It is always changing and developing.
- Businesses have no control over this environment.

Define/Give practical examples of each component/feature of the macro environment.

- Use PESTLE to remember the components of the macro environment.



Political



Economic



Social



Technological



Legislative



Environmental

POLITICAL ENVIRONMENT

- Represents the government and its institutions, and the public and private stakeholders that influence businesses.

Examples

- Government policy: Policies and laws made by the government influence the way businesses operate.
- Political instability: Strikes/protests impact on investment, consumption, and economic growth.

Challenges

- Changes in government often result in policy changes that may affect businesses.
- Strikes/protests cause political instability and delays in productivity.

ECONOMIC ENVIRONMENT

- Refers to all the external economic factors that influence buying habits of consumer behaviour.

Examples

- Inflation/petrol price: Inflation decreases the value of money.
- Interest rates: Interest rates influence the cost of capital of businesses.

Challenges

- Rising costs due to inflation/petrol price could affect business sales and profitability.
- High interest rates mean that loans will become more expensive.

SOCIAL, CULTURAL AND DEMOGRAPHIC ENVIRONMENT

- Includes changes in culture and demographics.
- This refers to the immediate physical and social setting in which people live, and the society in which businesses operate.

Examples

- Social issues: Includes issues such as poverty, unemployment and crime
- Health issues: Includes issues such as HIV/AIDS and TB.

Challenges

- Social issues affect consumer spending and business profitability.
- Serious health issues have a negative effect on employee productivity.

TECHNOLOGICAL ENVIRONMENT

- The technological environment refers to development in the field of technology with new and innovative knowledge, new inventions, and other improvements in techniques that affect businesses.

Examples

- High maintenance costs:
 - It is expensive to buy new technology, but it is also costly to maintain it.
- Technological dependence:
 - Results in communication breakdowns, disruptions, or delays.

Challenges

- Staying up to date with the latest and greatest technology can be expensive.
- Businesses may not be able to keep up with/be aware of the latest technology.

LEGAL AND POLITICAL ENVIRONMENT

- The legal environment refers to the laws passed by the government, which affect businesses.

Examples

- Business law:
 - Skills Development Act (SDA)
 - Broad-Based Black Economic Empowerment (BBBEE)
 - Employment Equity Act (EEA).
- Consumer law:
 - National Credit Act (NCA)
 - Consumer Protection Act (CPA) to protect consumers.

Challenges

- Consider certain acts that may have a direct impact on businesses.
- Legal requirements for businesses to operate are time-consuming to implement.

ENVIRONMENTAL ENVIRONMENT

(including physical/natural and international/global environment)

- Environmental refers to the physical/natural and the international/ global environment.

The physical/natural environment

- The physical environment refers to natural and man-made variables that surround businesses.

Examples

- Ecological aspects:
 - Weather and climate influence the availability of natural resources.
 - Non-renewable resources:
 - Depletion of non-renewable resources

Challenges

- Unpredictable weather may cause significant disruption to businesses.
- Some natural resources, such as oil/ coal, are scarce and expensive.

The international/global environment

- The global environment refers to the uncontrollable local and international interactions that influence how businesses operate.

Examples

- Globalisation:
 - International trade
 - Civil wars
 - Political instability

Challenges

- The exploitative nature of large multinational corporations.
- International problems impact businesses across the world.

Briefly explain the reason why each component/feature poses a challenge to businesses.

- Businesses have no control over the macro environment.
- This environment is always changing and therefore leads to challenges for businesses.
- A change in one of the of the environments in the macro environment can affect any of the other environments, which will then impact on businesses. (examples include the deadly Corona virus)

Identify the components of the macro environment from given scenarios/statements/case studies/cartoons/pictures.

