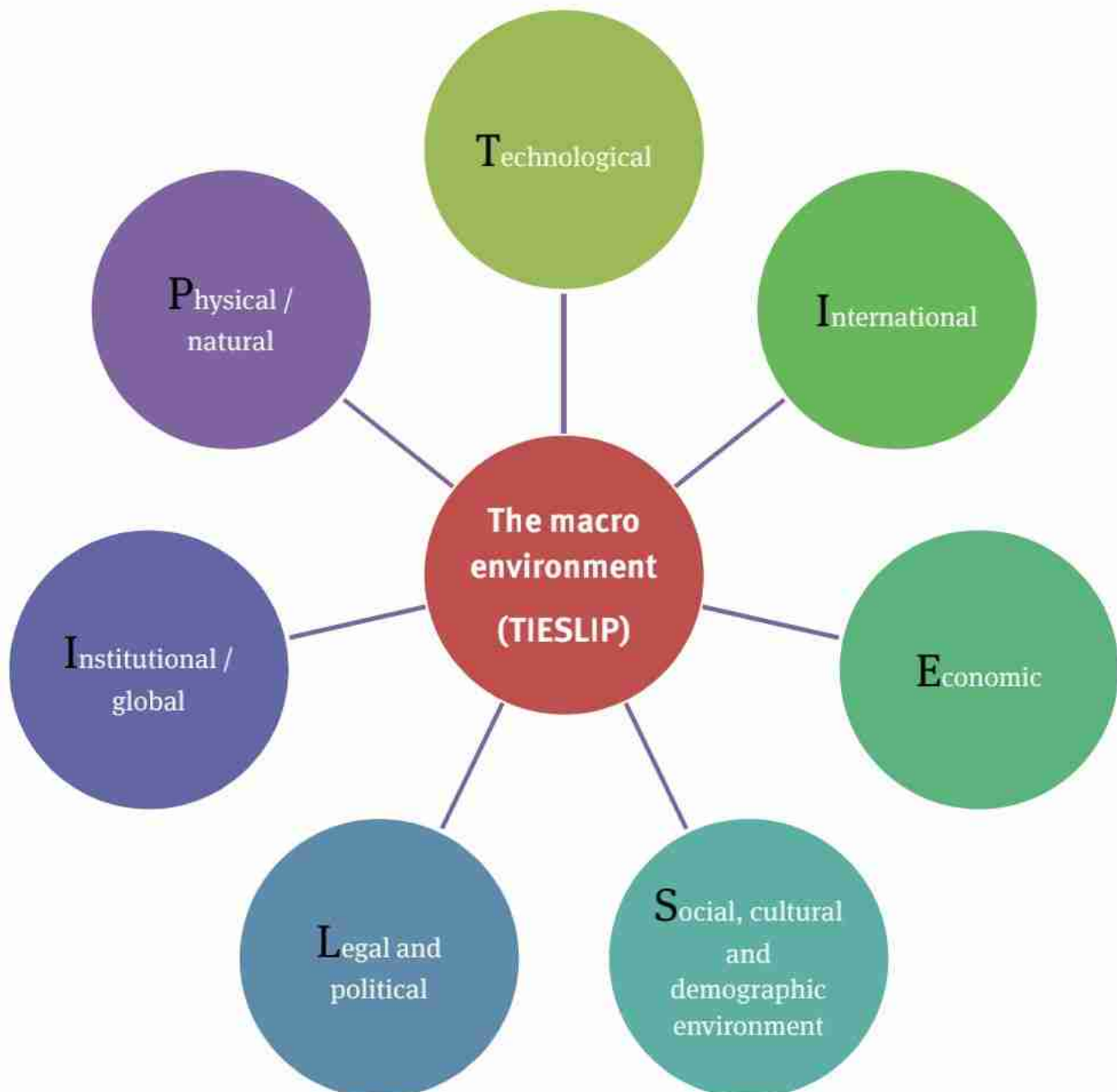


# Macro environment

## Overview

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# Macro environment

## Unit 1 The physical/natural environment

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The physical environment includes everything related to the immediate environment of the business, for instance:

- landscape, site and buildings
- local weather and weather changes
- availability, cost and sustainability of resources (water and electricity)
- Infrastructure (roads, transport and telecommunication)
- Environmental factors like air, water, noise pollution.

## Unit 2 Economic environment

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South Africa makes use of a free-market economic system. The following factors are important.

### 1 Balance of payments of the country

- More imports (products coming into the country) than exports (products going out of the country) causes a negative balance of payments.
- This makes the Rand weaker against other currencies.
- In return imported goods become more expensive.

### Stages of the business cycle

Economies of countries move through four stages of the business cycle:

- Stage 1: Expansion
- Stage 2: Peak
- Stage 3: Recovery
- Stage 4: Recession

### 2 Income distribution

- Income distribution between the rich, middle class and poor will impact on the business.
- It will impact on the size of the market for products.
- Many poor people lead to a small market for luxury goods as only basics can be afforded.

#### 2.1 Redistribution of income

- Transfer payments or redistribution of income come from sources such as social grants.
- It allows individuals in the lower income brackets to buy products and services they otherwise could not afford.

# Macro environment

## 2.2 Unemployment

- Higher unemployment leads to fewer products and services.
- In return potential workers are not earning income.
- This leads to a smaller market to sell products and services.

## 2.3 HIV/Aids

- Many economically active people are infected with HIV/Aids.
- Skilled people become ill.
- Illness causes absenteeism from work and therefore lower productivity.
- Aids lead to death of skilled people.
- Others need to be trained for their positions which lead to higher training costs.
- The productivity of the country as a whole suffers.

## 2.4 Other economic factors

- Inflation
- Tax

## Unit 3 The social, cultural and demographic environment

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- Social and cultural aspects cover the customs, religion, languages, lifestyles and values (attitude towards right and wrong) of the society.
- Demographics refer to age, gender, education, skills and racial groups in society.
- If the type of people who live in a community changes, the business also have to change. The business need to be aware and adapt to changes such as:  
Demographics, education levels, people's norms and values, attitudes towards health and lifestyle.

## Unit 4 The technological environment

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Technology refers to all the ways in which people use tools or machines to make work easier. Technological advances affect all aspects of businesses and can be classified as follows:

Production processes	Daily business operations
<ul style="list-style-type: none"> <li>• use of machinery</li> <li>• automated equipment / robots</li> </ul>	<ul style="list-style-type: none"> <li>• use of computers</li> <li>• faxes, phones (cell and landline), copiers</li> <li>• marketing of products and services</li> <li>• managing finances on computer programmes (PASTEL, Omni-accounts, Quickbooks, etc.)</li> <li>• administration of data capturing</li> </ul>

# Macro environment

- management information in the form of graphs for decision-making
- Internet for online banking
- Internet for information
- emails
- computer networking
- electronic point of sale (EPOS)

## 1 Technology changes business

As technology changes, it changes all aspects of business. Examples are agricultural machinery, computers, air transport, stock control and ordering with EPOS.

## 2 Online shopping

- Online shopping expanded the market for some businesses and created new opportunities.
- The availability of online shopping decreased the demand for some products from conventional street stores and service businesses.

## 3 New materials

New materials are produced to replace harmful products for example new insulation materials replaced asbestos.

## 4 Robotics technology

- Automated equipment in factories led to less employment opportunities for some categories of jobs, yet also replaced people in jobs that were dangerous.
- Higher levels of technology and increased production also created new opportunities for more skilled workers.

## 5 Computer technology in the office

- Computers took away jobs of typists, but created jobs for data capturers.
- Many people who had to employ secretaries or draughtsmen now do their work themselves.
- Accountants, designers, photographers, musicians, engineers and writers can develop and record ideas on computers.
- Education courses are also run using computers. Communication takes place between lecturers and students.
- Postal services, faxes, messengers and couriers have in various degrees been replaced by emails.
- Computers and software need support of technicians to keep running smoothly.



# Macro environment

## 5.1 Bar codes

EPOS (Electronic point of sale) supplies information which marketing can use.

- The laser checkout reads a bar code.
- This can be linked to other computer software and updates stock count automatically.
- Sales can be analysed and stock levels can be controlled.
- Consumers get a printed slip with details of purchased, the date and payment.
- This meant that manufacturers had to add bar codes to products.

## Unit 5 Legal and political environment

### 1 Political environment

- A good relationship between a stable government and business creates a positive political environment.
- An unstable government and poor relationship between the government and the business creates a negative political environment.
- Some political decisions that influence businesses are:
  - How the government levies tax
  - How the government spends tax
  - Interest rates and inflation
- Other political factors are strike action, legal and illegal immigration, civil revolution and terrorism.
- The political party in power can influence legal, economic and social developments.

### 2 Legal environment

- Laws are rules passed by parliament to control the behaviour of a country's citizens
- Legislation is enforced to exercise control. This is done through the legal system and courts.
- South African courts are divided into three categories:

#### Three categories of courts in South Africa

Superior Courts	Magistrates' Courts	Special Courts
<ul style="list-style-type: none"> <li>• Constitutional court</li> <li>• Supreme court of Appeal</li> <li>• Various High Courts</li> </ul>		<ul style="list-style-type: none"> <li>• Labour Court</li> <li>• Income Tax Court</li> <li>• Small Claims Court</li> </ul>

- The legal system through the courts, has jurisdiction to oversee:
  - employment, tax
  - trade mark rights, patent rights, intellectual property rights
  - sale of goods between sellers and buyer
  - property rights and ownership rights
  - consumerism

## Macro environment

fair competition  
protecting the environment.

- Some important Acts (rules) that are passed by parliament to control behaviour and to protect citizens in the country are:

<b>OHSA (1993)</b>	<b>BCEA (1997)</b>	<b>Companies Act (2008)</b>	<b>Consumer Protection Act (2008)</b>
Occupational Health and Safety Act lays down rules for safety in the business, especially for factories and helps to reduce the risk of hazards and poor health.	Basic Conditions of Employment Act stipulates aspects such as working hours, leave and minimum wages.	Different forms of ownership and their requirements are specified.	The rights of consumers are made clear.
<b>EEA (1998)</b>	<b>SDA (1998)</b>	<b>LRA (1995)</b>	
Employment Equity Act sets standards for equal treatment regarding race, culture, gender, language, people with disabilities.	Skills development Act requires equal opportunities for further training in the workplace.	Labour Relations Act sets a framework for negotiation between the employer (boss) and the employee (worker).	

### Unit 6 The international environment

- Events that take place elsewhere in the world and outside the borders of South Africa can have an impact on the economy, for example:  
Political unrest in Zimbabwe leads to illegal immigrants moving to South Africa, pushing up local unemployment.
- Events that take place outside the borders of South Africa can impact local businesses, for example:  
Earthquakes elsewhere, such as in Japan, cause a shortage of imported goods.  
Policies control South African imports (bringing products from elsewhere in the world into South Africa) and exports (taking products from South Africa elsewhere in the world).  
A fluctuating demand for export commodities, such as gold, diamonds, platinum, other minerals, machinery and equipment.

# Macro environment

Fluctuating prices of import commodities such as machinery and equipment, chemicals, petroleum, scientific instruments and food from mainly Germany, China, USA, Saudi Arabia, Japan and the UK.

## Unit 7 The institutional environment

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This environment refers to the official and non-official procedures to do business and the institutions involved in this procedure.

Starting a company (company formation procedure):

- Reserving a name and registration of a company with the Registrar of Companies.
- Registering with SARS for income tax, VAT (value added tax) and PAYE (pay as you earn tax for employees).
- Registering with the Department of Labour for UIF (unemployment insurance fund) and workman's compensation fund.

Examples of non-official procedures:

- getting to know customs and traditions of people in the area of trade
- belonging to a chamber of commerce.