



SMALL, MEDIUM AND MICRO ENTERPRISES: SMME4

LESSON 9

UNIT STANDARD: 10009

NOTES AND ACTIVITIES

TOPIC: SHOW HOW TO RESPOND TO CHANGING BUSINESS ENVIRONMENT

By the end of this lesson, you should be able to:

1. Identify and describe changes in business environment
2. Provide reasons for changing environment
3. Identify ways to adapt to the environment
4. To adapt the business plan to respond to the changing environment

CHANGING BUSINESS ENVIRONMENT

Refers to a situation/time in which a business is affected by either internal (e.g. change in staff) or external (e.g. rise of fuel price) threats

BUSINESS ENVIRONMENT CONSIST OF:

- An internal environment
- External environment

An internal environment

- Includes all the staff and resources employed by the company

External environment

- Includes everyone with whom the business interacts outside the company

FACTORS THAT CAUSES THE BUSINESS ENVIRONMENT TO CHANGE:

- Loss of key personnel
- Resignation
- Strikes
- Shortage of resources
- Inflation
- Unemployment
- Competition
- Legislation
- New products
- Technology
- Global pandemic(Covid19)



REASONS FOR THE CHANGING ENVIRONMENT

Taste and preferences of consumers

Economic reasons

Demand

Supply

Labour law

Global pandemic (Covid19)

COMMON CHANGES IN THE BUSINESS ENVIRONMENT

- Changes in technology
- Changes in fashion and trends
- The development of new designs
- Changing competitor's strategies
- Changing staff, (new appointments, resignation and promotions)
- Changing customer needs and product diversity
- Changes in the economic environment

WAYS TO ADAPT TO THE CHANGING ENVIRONMENT

Downsizing and upsizing

- **Downsizing-** is a strategy used to reduce the size and scope of a business in order to improve its financial performance
- to design or produce in smaller size (minimize the cost)
- to fire/ retrench employees for purpose of downsizing a business
- Lockdown of all economic activities due to Covid19

Upsizing- to increase the operational costs of a company by increasing the number people its employs

to increase the size of or produce a larger vision of something

Adapt/ amend your business plan

- Adds additional products or make any changes in the way that it operates
- The business will need to adapt its SWOT Analysis
- Business plan must always speak to the actual /resent



INDIVIDUAL EXERCISE

Various options are given as possible answers to the following questions. Choose the answer and encircle only the letter (A - D).

1.1 A change in the business environment that is caused by a change in personnel, ownership or in production is called

A. External business environment

B. Business environment

C. Seasonal change (1)

1.2 can change the business environment negatively

A. Honesty

B. Friendship

C. Strike

D. Body language (1)

1.3 Which one of the following factor is not directly related to the business environment.

A. Economic reasons

B. Labour Law

C. Time Management

D. Changes in Demand (1)



2. Indicate whether the following statements are True or False. Choose the answer and write only “true” or “false” next to the question number.

2.1 The external environment consists of factors that have an impact to the business, and entrepreneur is unable to control.

_____ (1)

2.2 Internal and External threats can harm a business.

_____ (1)

2.3 Explain what is meant by a changing business environment.

_____ (2)

2.4 Name TWO business environments.

_____ (2)

2.5 Mention FIVE factors that effects changes in a business environment.

_____ (5)

2.6 Discuss TWO ways on how a business can adapt when loosing profit.

_____ (2)

2.7 Describe how the following factors can be change the business environment

2.7.1 Demand

_____ (2)

2.7.2 Customer taste and preferences

_____ (2)

Marks 20



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- A Economic reasons
- B Labour Law
- C Time Management
- D Changes in Demand

(1)

2. Indicate whether the following statements are **TRUE or FALSE**. Choose the answer and write only 'true' or 'false' next to the question number

2.1 The external environment consist of factors that have an impact to the business, and entrepreneur is unable to control.

_____ (1)

2.2 Internal and External threats can harm a business.



(1)

3. Explain what is meant by a changing business environment

(2)

4. Name **TWO** business environments

(2)

5. Mention **FIVE** factors that affects changes in a business environment

(5)

6. Discuss **TWO** ways on how a business can adapt when loosing profit.

(2)

7 Describe how the following factors can change the business environment

7.1 Demand

(2)

7.2 Consumer taste and preferences



(2)

Marks 20

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