

Individual and environmental impacts on businesses



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The key for business achievement or success requires two elements - the individual and the environment. Absence of either value makes the goal unachievable. All components of a business environment have a direct or indirect relation on business. The outside factors, forces that cannot be controlled by an individual business enterprise and their management and have the capability to influence the business enterprise is termed as ' Business Environment'. It includes every exterior forces within which a business organizations functions. Working of the business process is influenced by these forces and factors. Thus these forces and factors which stay outside the business, that are uncontrollable by single business entity but have an effect on business is called Business Environment. These factors or forces are customer, competitors, government, creditors, socio-cultural organizations, national and international organizations, political parties etc. These factors affect the business directly and indirectly according to its nature

The business environment classified into three:

1. Remote or General environment
2. Industry environment
3. Competitive environment

Fig: Environmental Analysis

According to Henry (2008), an organization has only two main environments i. e general and competitive environment. The competitive environment consists of industry and markets in which the organization operates. General environment is also named as macro-environment. The name Macro-

environment is because the fluctuations that occur in this environment, will have an effect that go beyond the limits of the firms and industries. The below figure shows the connection between competitive and general environment of a firm as per Henry (2008):

REMOTE OR GENERAL ENVIRONMENT:

Remote environment can be also called as General environment and macro environment. Macro factors are generally more uncontrollable whereas micro environment factors are controllable as compared to macro factors. When macro factors become unmanageable the success of the business relies on the flexibility of the business to the changing environment. According to Hill and Jones,(2009), Macro-environmental factors sometimes influence the nation as a whole . Explained below are some of the macro environment factors.

Economic Environment: The sum total of the nature of economic system of the country, business cycles, the socio-economic infrastructure etc is referred as Economic environment. Success of a business man depends on visualizing the outside factors influencing business, foreseeing changes that may occur in market conditions and making maximum return on minimum investment considering these outside or external factors.

Social Environment: The value system of the society, which has an influence on the running of the business, is determined by the social dimension or environment of that Nation. Sociological elements that have an extensive impact on the business are costs structure, customs and conventions,

mobility of labour etc. Work culture and mobility of labour, work groups etc are determined by the above factors.

Political Environment: Political organizations including philosophy of political parties, ideology of government or party in power, character and level of bureaucracy influence of primary groups etc are influenced by the political environment of a country. The business, to a great extent, is affected by the political environment of a Nation

Legal Environment: Legal environment comprises flexibility and malleability of law and other legal rules governing the business. The exact rulings and decision of the courts might be included. These concern the business and its administrators to a great extent.

Technical Environment: Development of technology in country has a great influence on the business. The variety and quality of goods and services to be produced and the nature, quality etc of plant and machinery to be used are determined by the technology opted by the industry. Following are also affected by technical environment, the business in terms of investment in technology, consistent application of technology and the effects of technology on markets.

COMPETITIVE ENVIRONMENT

This means an environment in which competitions between organizations are high. A minute change in customers and competitors affects competitive plan of organization. It includes inventions of new products by competitors, developing new channels of distribution and emergence of new customer value. So competitive environment is closely related to the firm than the <https://assignbuster.com/individual-and-environmental-impacts-on-businesses/>

general environment.(Dobson et. al. 2004). Problems or opportunities resulting from variation in the competitive environment and in customer necessities are recognized by competitive environment analysis. Based on sound analysis, this procedure should be seen as dynamic, resourceful, and opportunity-focused. Thus two main areas that needs to be focused in this:

Customer analysis

Customer analysis at the business entity level involves building a complete understanding of customers, their needs and wants, and how these changes within a given market (market segmentation). Moreover, importance must be given to these changing needs, how is it occurring and what an organization should do to bring in change to the marketplace. Growth comes not by duplicating the competitors but by introducing creative and innovative strategy with flexibility, keeping in mind the changes that may occur in future to market conditions. Like any analysis, it is also done to identify the innovative strategies or plans that will create value for the business.

Competitor analysis

This analysis is undertaken at the business-unit level. With specific competitors, we assume that the unit in question is engaged in oligopolistic competition in which the market is dominated by small number of sellers. In a perfect competition there is no purpose of this analysis . While conducting competitor analysis, we have to follow certain defined procedure.

RELATIONSHIP BETWEEN GENERAL AND COMPETITIVE ENVIRONMENTS

Firms collect information to take decisions regarding current running of business and for future decision making through a combined calculation of internal and external Environments.

Elements that compose general environment in a wider society influence the industry and the firms in that industry. These are classified into six environmental segments: demographic, economic, political/legal, socio-cultural, technological, and global. A firm does not have a direct control over the general environment's segments and elements. For making appropriate decisions and plans, successful companies collect amounts of data and information so that they can identify or understand each segment and implications to be done.

Competitor analysis refers to the way or method in which how companies collect and interpret information about their competitors. Understanding the firm's competitor environment complements the insights provided by studying the general environment helps identifying in the firm's competitor environment.

Strategic intent, strategic mission, and strategic actions of a firm are developed as a result of the three analysis that are done to identify the outside environment. General environment analysis is focused on the future on the other hand analyses of competitors are focused on forecasting the dynamics of competitors' actions, responses, and plans. Although we discuss

each analysis separately, if we integrate the information gained from both the two analysis, performance of the firm is improved to a great extent.