

**Business
environment test
questions
argumentative essay**



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Business environment

Business environment is defined as the external and internal factors that influence business decisions and that are uncontrollable in nature. The forces can be that of economic, social, political or technological factors. These factors are usually outside the control of the business and will do little to change them. Therefore business environment can be defined as all those conditions and external forces that a business unit operates under.

Importance of business environment

Business environment is important for businesses in various ways. There is a mutual interdependence between a business and the environment in which it operates under. A business is an open system that continuously interacts with its environment. The business consumes its raw materials, capital, labor and energy from its environment and transforms them to goods and services which are later sent back to the environment. Businesses and the environment interact in different ways including; exchange of information, exchange of resources and exchange of influence and power (Importance of Business Environment). The importance of business environment includes; Businesses to identify opportunities and get the first mover advantage. A business that realizes opportunities earlier will take advantage and be the first that exploits them instead of losing them to competitors. Identifying threats and early warning signs. Businesses will need to discover early the threats they are exposed to and meet the threat appropriately which can be by improving the product quality, aggressive advertising or reducing production costs. Coping with rapid changes. Businesses are in increasingly

changing environment. Businesses need to effectively cope with these chances and thus the need to understand and examine the environment and develop suitable actions. Improving performance. Businesses need to monitor their environment and adopt suitable business practices that will improve their present performance and continue to succeed in such a market for a longer period of time (Importance of Business Environment).

Market

A market is an environment that allows buyers and sellers to interact and exchange goods and services as well as information. The interactions define demand and supply of the various goods and services in the market.

Therefore a market can be defined as a place where trade takes place and depends on two participants; sellers and buyers. Markets have evolved over time from the still existing physical markets where buyers and sellers met to trade to virtual markets that are supported by IT networks. Markets can appear spontaneously when there is the availability of goods and/or services or they can be planned and be regulated (Markets: What is a Market?).

Markets differ; some are competitive with several vendors selling the same products while others have low or no competition especially those protected by the government. The number of buyers and sellers involved in the market has a direct bearing on the price of goods and services to be sold; this is called the law of demand and supply. The law has it that when there are more sellers than buyers in the market, the availability of goods and services supplied is high and will push prices down. Again, if there are more buyers

than sellers, demand for goods and services will increase and will push up prices (Markets: What is a Market?).

There are different types of markets and both work differently. They include the currency markets which are the largest continuously traded markets in the world. For twenty four hours a day, governments, banks, investors and consumers buy and sell every currency which leads to big money flows that keeps on changing hands. For financial markets, they are complex markets that allow investors to buy and sell shares in stocks of companies or the bond market. They thus allow markets to facilitate the exchange of liquid assets (Markets: What is a Market?)