

# Elements in the firms business environment



**ASSIGN  
BUSTER**

Environmental analysis is a systematic process that starts from identification of environmental factors, assessing their nature and impact, auditing them to find their impact to the business, and making various profiles for positioning. The business environment can be categorized into General Environment and Task Environment and Internal Environment. In General Environment, the elements included are Technological, Natural, International, Legal-Political, Economics and Social cultural. On the other hand, the Task Environment included Customer, Competitors, Suppliers and Labour Market.

In General Environment, Legal-Politic element includes the legal and governmental systems within an organization must function. Such as, trends in legislation, politics and aspects of the Legal-Political element. In this case, the ski-shop legal-politic element environment is associated to the dispute over the size and prominence of an outside sign displaying the shop's name with the authority. Besides, the owner has a poor relationship with the local government due to lack of knowledge in diplomacy. Apart from that, they also failed to obtain permission to expand the parking lot and cause the authority to inspect on the business from time to time.

As for Economic element, it encompasses the general economic health of the region in which the organization operates. Such as, unemployment rate, consumer purchasing power and interest rates. The ski-shop experiences shortages of merchandise during the peak seasons because the consumer's willingness to purchase is high during the time. In addition, it does very little sales from October to April as the season is not applicable for skiing. There will be no snow during the season and the will be ski-shop underutilized.

The Technological element reflects the current state of knowledge regarding the production of products and services. The ski-shop does not provide quality services as the lodges did. For examples, an organized arrangement of merchandise, repairs and maintenance for ski equipment. Besides that, the ski-shop also faces difficulty in receiving goods on time during the peak season that might due to logistic factor.

As for Social cultural element, it represents the general environment of the demographic characteristics. The business is set up in a society that likes to ski. On top of that, a good skiing spot is only about half an hour drive away from the shop. Moreover, the students at the nearby campus consist of many enthusiastic skiers also. This promises a basic customer base to the business.

In Task Environment, the Customer element is an organization's customers and clients who purchase the business products or services. It is illustrated in the massive student population of passionate skiers. These are the group of people that purchases ski equipment from the business. Without them, the business may fail as the shop's sales only rely on selling ski equipment.

The Competitors element are other businesses that either offering rival products or services. There are rumours that another new ski-shop may be operating nearby next year, this might pose a threat to the business. Besides this new open ski-shop, the lodges at the skiing spot that able to provide better and quality service also grab customers away from the business.

In the Suppliers element, which is other organization that supplies resources the business needs to conduct its operations. The ski-shop purchases goods

from a supplier that is incapable to deliver goods on time, especially during the peak season where ski equipment and clothing often runs out swiftly. When the goods arrive it is already so late and cannot be sold until the next season.

The above summarize the business environment of the ski-shop. Through analyzing the environments and devise a suitable solution will surely improve the business performance and sales. Apart from that, the business will able to anticipate changes and react sooner to avoid unnecessary losses.

**Explain clearly how the elements identified in (a) above are affecting or could possibly affect the firm's performance (either positively or negatively).**

The course of starting up and developing a business is not just a voyage, but also a tough challenge. A failure might cause a person to lose all his assets. In order to succeed, it is crucial to create a constructive business environment and preserve it. Ensuring easier access to funding, making legislation clearer, understanding the social culture, construct customer loyalty, analyze on competitors strategy, maintaining good relationship with suppliers, constantly updated technological support system, and support networks for businesses are all very influential as far as the setting up and growth of businesses are concerned.

First of all, the Legal-Politic element that troubles the ski-shop. If a business could not get support from the local authority, it is likely hard to have a positive relationship with the local customer too. In addition, it may find it hard to survive without the acknowledgement from the local government. From the context it is stated the business is having a dispute with the <https://assignbuster.com/elements-in-the-firms-business-environment/>

authority due to the large signboard that may cause driver distraction on the road. Such condition will cause objection from the authority and revoke of licences may occur if the ski-shop is fail to comply with the regulations or law. Besides that, the business probably will face many difficulties when dealing with legal matters such as applying for renovations or expanding a parking lot as mentioned in the context.

Next, is the Economics element. During the peak season, the willingness of purchasing ski equipment is high and is cause the ski-shop supplies to run out quickly. If there are no stocks available, customer may turn to other alternative to seek for satisfactions. In consequence, the business may losses loyal customer and new customer as well. In the same time the sale will drop. The business must fully utilize this opportunity to gain maximum profits as when season pass the sales will be at deep bottom. During the October to April, the business does very little business and causes low income. These conditions further affect the business chance to be financially solid. The business must be able to survive the low sales for 8 months which is very dangerous if there is a cash-flow crisis.

Furthermore, is the Technological element. The ski-shop is lack of technological investment. Even though the business carries ski equipment and clothing, the supply is not sufficient for sales during the peak seasons. Moreover, the ordered stocks arrived so late and cannot be sold until the next season. This shows a poor logistic of goods and reduces the profits. In addition, the apparels' design might be outdated after its production season. This furthermore causes unnecessary stockpile. In the end, the business may need to have huge discounts in order to retain cost price and avoid further

<https://assignbuster.com/elements-in-the-firms-business-environment/>

losses. Apart from that, the lodges at the ski site possess better technology in ski equipments and services. For examples, an orderly arrangement of items, effective repairs and good maintenance. This will attract more customer from the ski-shop to the lodges and causes business loss.

How would the social cultural benefit the business? The business is located at strategic location (near to a good skiing) and demographic characteristic that favours a ski-shop survival. Moreover, the nearby college's students include many avid skiers. Besides that, the skiing spot can be further develop into a tourist spot by the local government, this would further attract more potential customer into the business.

In the Task Environment, the first element to be identified to affecting the business is the Customer element. The customer base of the business is rather small as the business mainly depends on the nearby college student. Although the student population includes many avid skiers, their consumption may not be as high as a working adult. Besides that, many students might only take a stroll or chill out in the ski-shop and disturb others customers.

In the Competitors element, the business seems to have a new competitor emerging next year. In the positive way, the competitor could serve as a motivation to the business as it would strive to be better than the competitor. This will also force the business to provide a better customer satisfaction, seeking in efficient production to reduce cost, introduce more product variations to increase the customer's options and be distinctive in the business. In the negative effect point of view, if the ski-shop unable to

stay on par with the competitor, it will lose customer and profits eventually. Moreover, close down of business might be imminent to avoid further losses.

As for the Suppliers element, the business fails to maintain a good relationship with the supplier. In the context, it is mentioned that the ski equipments and clothing runs out during the peak season. Although the goods are ordered to meet the demand but it often arrives so late. This is a vital error that could cast a halt on the production or sales of business. On top of that, a delay in the stock will cause customer dissatisfaction and spoil business image. The brand loyalty would also deteriorate as well.

In conclusion, the elements identified above will affect the ski-shop performance in either positively or negatively. Hence, instant measures must be taken to address the problems to avoid business losses and favourable environment must be kept preserved to obtain sustainable profits.

Suggest in very specific terms how you intend to deal with the challenges/problems posed by the environmental elements.

There are 3 major options to deal with problems or challenges posed by the environmental elements. Firstly, adapt to the existing environmental elements. This refers the business to adapt various policies or changing internal operations to suit the environment, such as buffering, smoothing, forecasting, and rationing. Secondly, attempt to influence environmental favourability. This option requires the business to advertise, engaging in public relations, and establishing joint ventures. Lastly, is shifting the domain of the operation away from a threatening environmental element towards a beneficial one.

The first adaptation approach is to buffer. In order to solve the shortage of stock, the business should stockpile some ski equipment and clothing to cope with the increasing demand during the peak season. Through buffering, the business will maintain the inventories at an acceptable level. However, buffering is not always feasible because of high expense. Furthermore, the inventories might lead to obsolescence before the item can't be sold. It is crucial that the business able to forecast the market conditions with a reasonable level of accuracy, so it can prepare in advance to meet the changes, especially during peak sales season. For example, the ski-shop should order a suitable amount of ski equipment, not too much or too less. Or even hire more employees to serve the customer during the peak. The late arrival of stock is a big setback to the business. Moreover, it will create a bad image to the customers and damages the business reputations. The ski-shop should have sought alternative supplier in ready to cope with the demand. Apart from that, the business should keep a positive relationship with all the suppliers to ensure quality and on time delivery of goods. Furthermore, with good relationship, suppliers will tend to give their assist during hard times of the business, such as giving longer credit term to ease the business cash flow crisis.

While buffering serves to accommodate the shortage in stocks during the peak season, smoothing involves taking action to reduce the impact of market fluctuations and reduce the inefficiencies. October to April is the period where the ski-shop's business does very little sales. In order to improve the sales, the business can introduce discounts or give away purchase coupons to attract customers. This approach is very useful during



the low demand period to sustain adequate profits. Giving promotions or discounts on goods, avoiding the business from being underutilized and unnecessary stockpiling during nonpeak times.

On the contrary, the favourability approach involves strategies to alter environmental element so it would be more compatible or advantageous to the business. In order to attract more customers, the ski-shop can launch an advertising campaign to promote its brand awareness and services. In addition, conducting public relation is the use of communications media and activities will create a favourable overall impression of the business among the public. The public relations involve assessing public attitudes, and maintaining mutual relations between an organization and its public. This ensures a two-way flow of information and understanding. In the same time, these efforts will aid the business to maintain a positive relationship with the local government. The ski-shop can also sponsor neighbour watch programme to fight crime and collaborate with the government.

Suppliers are very crucial factor to a business operation. The ski-shop should negotiate contracts with its suppliers to seek favourable agreements. A specific agreement will create an environmental favourability that will aid the business operation. For example, the ski-shop should not delay the payment of goods to the supplier. Moreover, the ski-shop may seek advice or aid from trade associations. This organization composed of individual or firm with common business concern. There are varieties of member including manufacturers, distributors, importers, retailers and suppliers. Through the trade associations, the ski-shop will able to learn from others or even seeking for a joint ventures partner.

An increasing trend, a joint venture is an agreement involving two or more organizations that arrange to produce a product or service jointly. In this agreement, all the parties would have mutual advantages. By joining forces, the business is able to share market and pooling of resources for better effectiveness. For example, the lodges business would also be affected by the new competitor, so the ski-shop can cooperate with the lodges to counter the influence. Furthermore, the joining of forces will pave a better future for the business in expansion aspect as well. The lodges have technological advancement that the ski-shop should adapt in the business also.

The final approach to manage environmental elements is to make domain shifts. This refers to the changes in the mix of products and services offered so that organization is able to interface with more favourable environmental elements. In specific, during the low peak season, the business will not generate much income. For this reason, the business can offer different product or service or in other word diversification to avoid underutilize. For example, the business may introduce a new line of trendy fashion or clothing accessories.

In a nutshell, a business must alert to the environmental elements that would affect the business either positively or negatively because by recognizing all the elements, the business could act earlier and predict changes. In addition, a accurate forecasting saves the business from loss or propel it towards success and all these is done via managing the environmental elements with efficient method as mention above.