

The nepalese business environment



Business environment can be defined as the combination of the entire factor that influences a business activity. A business firm exist in two worlds i: e internal and external. Internal environment includes infrastructure, physical asset, human resources, organization structure, technology, work system etc. it is located inside the business organization and it is controlled by the business.

It provides strength and weakness to the business. External environment includes outer environment i: e social, economical, political, legal and competitive forces. It provides opportunity and threats to business. So, they are both interrelated and interconnected. It operates in a dynamic environment. According to Keith Davis, “ Business environment is the aggregate of all conditions, events and influences that surround and affect it “

Thus, Business environment is the combination of internal and external forces and condition prevalent inside and outside the boundaries of a firm.

Business environment consist of the forces and conditions outside the boundaries of a firm. These forces changes overtime and thus present the firm with opportunities and threats that influences its ability to carry out its operation efficiency to attain its objectives.

? Complex: Business environment is a complex due to its unpredictability. It consists of interacting events, condition, influences arising from varied sources.

? Dynamic: Business environment is dynamic. It is continuously changing in shape and character.

? Multifaceted: Business environment is multifaceted. Different observer may view a particular change in the environment differently. The same development may be taken by someone as opportunity and by other threats.

? Far reaching: The change in environment has far reaching impact in the business. The growth, profitability and competitiveness of the business depend on the existing business environment.

Importance of business environment

It is essential for the business manager have a profound knowledge about environment surrounding to business to make managerial and business decision.

1. Comprehensive strategy formulation: business firms have to formulate broad strategies and long term policies for their continuous existence. An assessment of environmental component enables a manager to formulate business strategy and policy. The assessment can be done through SWOT analysis.

2. Competitive analysis: business should regularly analyze the strength and weakness of competitors and formulate strategies accordingly in order to retain its superiority in the market. The study of business environment facilitates to formulates effective measures to analyses the strategies of the competitors and face them.

3. **Adaptability:** the foremost concern of any business firm is to adjust with the emerging environmental forces. As a result of environmental analysis, the managers are able to adopt the prevailing condition and thus to influence the environment in order to make it congenial or less harmful to their business.

4. **Stability:** the study of environment enables the firms to foresee the impact of the socio economic and political changes taking place at the national and international levels on their stability. They can develop actions plan to cope with such change to maintain stability.

5. **Dynamism:** the firm should change and mould itself with the changing environment. The knowledge of business environment enables the manager to be well acquainted with the changing business scenario and take proper steps to keep the firm up-to-date.

Component of business environment

Internal environment:

Internal environment also called micro environment consist of condition and forces within the business organization that affects its performance and outcomes.

- **Goals, policies, and strategies:** goals are the desired outcomes and represent and result. Policies are guidelines for business decision making and future courses of action. Strategies are the broad action plan. They mean to achieve goal.

- Culture: culture encompasses shared, norms, values and beliefs that guide member in organization. Culture means the assumption that member of an organization share in common.
- Organizational resources: resources can be physical, financial, human and information. , modern business organization required large amount of quality information. The acquisition, storage, analysis is very important for increasing business effectiveness. The development in information technology has greatly facilitated business activity.
- Organizational structure: structure is the designed of job position and relationship. It defines how job is formally divided, grouped and coordinated.