

What is macro environment analysis?

Business



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The macro environment affects every business. It consists of many factors that, if left unchecked, can destroy a business.

To reduce the effects of negative factors, you must first understand what macro environment analysis is and how to do it yourself.

The Macro environment is everywhere

A macro environment involves influences which affect the entire economy of business.

How much influence the macro environment has on a company depends on how interlaced they are. Some factors, such as the economy, will slowly affect every and all business. But companies facing economic downfall, and potentially bankruptcy, are hurt more significantly than businesses in booming industries.

The economy also affects consumers. What they are willing to spend, on what, and how frequently hinges on the macro environment. If consumers aren't buying, or feel they are not in a position to buy specific products, sales suffer.

Additionally, inflation, unemployment rates, and taxes are macro environment factors that affect businesses and consumers on a day-to-day basis.

The economy and consumers are influences in the macro environment that affect all businesses. And they are critical when conducting a macro environment analysis.

PEST assists macro environment analysis

To do macro environment analysis, it's wise to utilize accurate tools which are built for this specific study. In this case, it's PEST analysis.

PEST analysis examines the influences of political, economic, social, and technological factors of a business. These factors can't be controlled by firms directly. Yet each factor affects any and every business, no matter their industry.

Political factors may be related to the government. They consist of legislative bills, tax policies, health and safety laws, and government stability. The average businessman can't lower taxes or introduce new legislation that'll affect the entire economy. They must instead understand these factors on a grand level and ensure their business aligns to laws, regulations, and policies.

Economic factors, as discussed above, are related to inflation, taxes, unemployment, and the recession. While people in business can track trends and implement planning, many businesses are not recession proof.

Social factors consist of people (or consumers). They buy products based on many different factors. This includes their demographic location, ethnic background, social status, immediate needs, lifestyle changes and trends.

Look how organic foods are exploding all over the country. More and more consumers are becoming health conscious. Fast food restaurants are adopting ' healthy alternatives' to cater to this crowd. At one time, fast food

places could ignore the needs of these consumers. But now, that isn't the case.

They can't convince these consumers that unhealthy foods are the correct purchasing decision for them. The customers choose this. It's important to listen to consumers, on a macro level, than waste efforts attempting to change their mind. There's always another business they can go to, after all.

Technological factors are often referred to advancements in technology. Not only technology used to develop and deliver products to consumers. But also the technology used to run businesses efficiently. The company who is fastest, with the best agile technology, can easily out beat the competition in any market. Keeping an eye out on which technology is used in the industry can mean life or death for the firm.

In conclusion...

We utilize PEST analysis to perform a macro environment analysis.

Understanding how macro factors influence corporations are necessary when building or expanding a business.

By examining how outside influences, uncontrollable by the average person, are connected to a business, it'll reflect how to keep ahead of the competition. And reduce risks as they arrive.

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