

# Business environment narrative essay

[Business](#), [Business Environment](#)



## Introduction

generally th it is to be understood by saying businessenvironmentis that circumstance where business runs or do its operations generally business environment can be divided in tow sectors one of them is external environmentswhich is known as PESTEL to academics another is internal environment which is more familiar as SWOT.

Business environment show two kind of environment of business. Richman & Copensays that the most important two part of business environment is External environment and internal environment. Lanworthington and chrisbritton say two kind of environment are Macro and micro environment of business environment.

### **Internal Environment:**

Business has got an internal environment that was first identified by French physiologist Claude Bernard (1813–78), Adrian palmer & Bob Hartley rightly said Micro environment and Macro environment is the part of internal environment. Richman andCopen, mention that Primary Activities and Support Activities are the part of internal environment.

### **Macro Environment**

It is to be understood by macro environment is the outer elements of the business such as political, economical, social and so on, for most of the cases business has no control on macro environment.

## Political Environment

Political environment has an important impact on the business. Political environment is not stable and can change quickly. The political environment in which the firm operates (or plan to operate) will have a significant impact on a company's international marketing activities. The greater the level of involvement in a foreign markets, the greater the need to monitor the political climate of the countries business is conducted. Changes in government often result in changes in policy and attitudes towards foreign business.

Adrian palmer & Bob Hartley explain Political environment include PEST

Political System: The basic role of a political system is to integrate the parts of a society into a viable functioning unit, bringing together people of different ethnic or other backgrounds and allow them to work together to govern themselves. Political systems are founded upon political policies, which are established by combining different points of view that are articulated by key constituencies, such as politicians, businesses, or other special-interest groups. 1. Totalitarian state, 2. Democratic State

Economic forecast: Business is a micro economic unit. The only function of economic forecasting is to make astrology look respectable. John Kenneth Galbraith

US (Canadian-born) administrator & economist (1908 – 2006)

Social forecast: The term Social Forecasting is not a recent addition to business vocabulary. The use of social forecasting stems from recognition that social pressures are becoming an increasing determinant for the

success of any organization. The various indicators indicate that the society will be experiencing a total change in next few years. Some of these changes have to be anticipated and must be incorporated in any long-range plans of an organization. Economic forecasting is essentially concerned with modelling how people behave using financial criteria as a means for maximising welfare. It is dependent on certain assumption of people behaviour. Elements for social forecast is1. Identification of important phenomenon, 2. Selection of phenomena for deeper study, 3. A system of measurement, 4. A time-scale

Technology: Information technology refers to the management and use of information using computer-based tools. It includes acquiring, processing, storing, and distributing information. Most commonly it is a term used to refer to business applications of computer technology, rather than scientific applications. The term is used broadly in business to refer to anything that ties into the use of computers.

## **The Socio-Cultural Environment**

This is perhaps the most difficult element of the macro-environment to evaluate, manifesting itself in changing tastes, purchasing behavior and changing priorities. The type of goods and services demanded by consumers is a function of their social conditioning and their consequent attitudes and beliefs.

Core cultural values are those firmly established within a society and are therefore difficult to change. They are perpetuated through family, the church, education and the institutions of society and act as relatively fixed

parameters within which marketing firms are forced to operate. Secondary cultural values, however, tend to be less strong and therefore more likely to undergo change. Generally, social change is preceded by changes over time in a society's secondary cultural values, for example the change in social attitude towards credit. As recently as the 1960s, personal credit, or hire purchase as is sometimes known, was generally frowned upon and people having such arrangements tended not to discuss it in public. Today, offering instant credit has become an integral part of marketing, with many of us regularly using credit cards and store accounts. Indeed, for many people it is often the availability and terms of credit offered that are major factors in deciding to purchase a particular product.

## **The Technological Environment**

One example of how technological change has affected marketing activities is in the development of electronic point of sale (EPOS) data capture at the retail level. The 'laser checkout' reads a bar code on the product being purchased and stores information that is used to analyze sales and re-order stock, as well as giving customers a printed readout of what they have purchased and the price charged. Manufacturers of fast-moving consumer goods, particularly packaged grocery products, have been forced to respond to these technological innovations by incorporating bar codes on their product labels or packaging. In this way, a change in the technological environment has affected the products and services that firms produce and the way in which firms carry out their business operations.

So technology, has an great impact business its potential for the business to updated with the technology all the tme

## **Micro Environment**

### **Customers**

Organizations survive on the basis of meeting the needs, wants and providing benefits for their customers. Failure to do so will result in a failed business strategy.

### **Employees**

The main element of micro environment is employees because it the force which move other resources of the organization, they have the controlling power of mobility.

### **Suppliers**

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Figure 1 Micro Environmental Factor/Stakeholder Analysis

Supplier got the bargain power , that is why they are potential to the business. The have the power of controlling demands. Good relationship with supplier may facilitate business development.

### **Shareholders**

Share holders for the public limited company and private limited company`s are important, because by law they are the partial owner of the organization, as result the got the voting power to select the governing comity those who run the business on their behalf.

**Media**

Positive or adverse media attention on an organizations product or service can in some cases make or break an organization. Consumer programmers with a wider and more direct audience can also have a very powerful and positive impact, forcing organizations to change their tactics.

**Competitors**

Business rivals are need to be consider in business environment, because their strategic plan promotion and policy affects the organization.

**External Environment**

A business does not function in a vacuum. It has to act and react to what happens outside the factory and office walls. These factors that happen outside the business are known as external factors or influences. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies.

**Main Factors**

The main factor that affects most business is the degree of competition – how fiercely other businesses compete with the products that another business makes.

The other factors that can affect the business are:

Social- ultimate's buyer, households and communities behave and their beliefs. For instance, changes in attitude towardshealth, or a greater number of pensioners in a population.

Legal–new legislation in society affects the business. E. g. changes in employment laws on working hours.

Economic–economy affects a business in terms of taxation, government spending, general demand, interest rates, exchange rates and European and global economic factors.

Political– changes in government policy might affect the business e. g. a decision to subsidize building new houses in an area could be good for a local brick works.

Technological– rapid pace of change in production processes and product innovation affect a business.

Ethical– what is regarded as morally right or wrong for a business to do? For instance should it trade with countries which have a poor record on human rights?

## **Changing External Environment**

Markets are changing all the time. It does depend on the type of product the business produces, however a business needs to react or lose customers.

Some of the main reasons why markets change rapidly:

Customers develop new needs and wants.

New competitors enter a market.

New technologies mean that new products can be made.

A world or countrywide event happen e. g. Gulf War or foot and mouth



disease.

Government introduces new legislation e. g. increases minimum wage.

## **Business and Competition**

Though a business does not want competition from other businesses, inevitably most will face a degree of competition.

The amount and type of competition depends on the market the business operates in:

Many small rival businesses– e. g. a shopping mall or city centre arcade – close rivalry.

A few large rival firms– e. g. washing powder or Coke and Pepsi.

A rapidly changing market– e. g. where the technology is being developed very quickly the mobile phone market.

A business could react to an increase in competition (e. g. a launch of rival product) in the following ways:

Cut prices (but can reduce profits)

Improve quality (but increases costs)

Spend more on promotion (e. g. do more advertising, increase brand loyalty; but costs money)

Cut costs, e. g. use cheaper materials, make some workers redundant

## **Social Environment and Responsibility**

Social change is when the people in the community adjust their attitudes to way they live. Businesses will need to adjust their products to meet these

changes, e. g. taking sugar out of children's drinks, because parents feel their children are having too much sugar in their diets.

The business also needs to be aware of their social responsibilities. These are the way they act towards the different parts of society that they come into contact with.

Legislation covers a number of the areas of responsibility that a business has with its customers, employees and other businesses. It is also important to consider the effects a business can have on the local community. These are known as the social benefits and social costs.

## Conclusion

The topic was about Business Environment. Topic gives a brief of Internal and external environment and some critical analysis of them. Different issue stand base of topics. How business environment run what r the process What based on business environment?

These were the assignment was about.

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