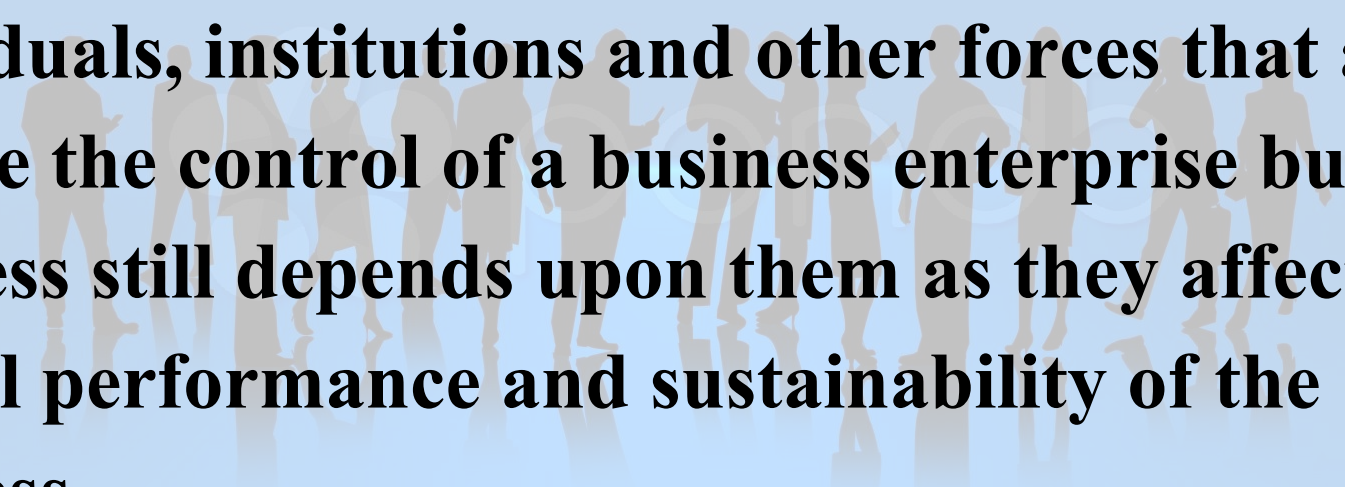


Contents :

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Meaning of Business Environment

Business Environment is the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but the business still depends upon them as they affect the overall performance and sustainability of the business.

A faint, semi-transparent background image showing a group of business professionals in a meeting. The silhouettes are arranged in a circle, with some individuals appearing to be in conversation. The overall scene is rendered in a light, monochromatic style that blends with the light blue background.

Characteristics of Business Environment

1. Totality of Forces
2. Dynamic in Nature
3. Relativity
4. Specific and General Forces
5. Interrelatedness
6. Uncertainty
7. Complexity



Importance of Business Environment

- **First Mover Advantage**-The Study of Business Environment Enables us to know about the opportunities available. A company which is more conscious about the changes taking place in the business environment is the first mover.
- **Warning Signals**-Along with the availability of opportunities provided by the study of business environment. We also come to know about the threats accompanying them. If the knowledge about the threats is available in time,efforts can easily be made to face or tackle them.
- **Meeting Competition**-It helps the firm to analyze the competitor's strategies and formulate their own strategies accordingly.

- **Coping with Rapid Changes**-These days Business is being run in a rapid changing environment. Various factors connected with Business example competition, fashion, technology etc are changing quickly. Changes do not affect Business as much as rapidity of the changes. Rapidity can be faced with comparative ease by constant vigil over the business environment.
- **Continuous Learning**-the managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in the realm of business.
- **Giving Direction for Growth**-The interaction with the Business Environment enables the business to identify the areas for growth and expansion of their activities.

Environmental Influence on Business

According To Barry M. Richman and Melvyn Copen ,”Environmental factors or constraint are largely if not totally,external and beyond the control of individual industrial enterprises and their managements.These are essentially the ‘givers’ within which firms and their managements must operate in a specific country and they vary, often greatly, from country to country.”

Environmental Scanning: It can be defined as the process by which organisations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions.

Cadbury Situation

- Complaints received across India of worms in chocolates few years back.
- Quality of the product became questionable.
- Sales dropped.
- Regulatory authority probe ordered.



Famous Cadbury Fight back

- In house quality investigation to find out the cause.
- Introduction of new improved packaging in record 90 days in the market.
- Created a special visi-cooler along with Voltas to keep chocolates in good and hygienic condition till the last POP (point of purchase) i.e, final consumer.

Components of Business Environment



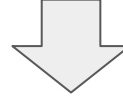
Internal Environment



- ❖ Objectives
- ❖ Policies
- ❖ Organisation Structure
- ❖ Management Information System
- ❖ Production Method
- ❖ Quality of Human Resources
- ❖ Labour Unions
- ❖ Physical Resources and technological Capabilities



External Environment



Micro Environment

- ❖ Customers
- ❖ Suppliers
- ❖ Competitors
- ❖ Market Intermediaries

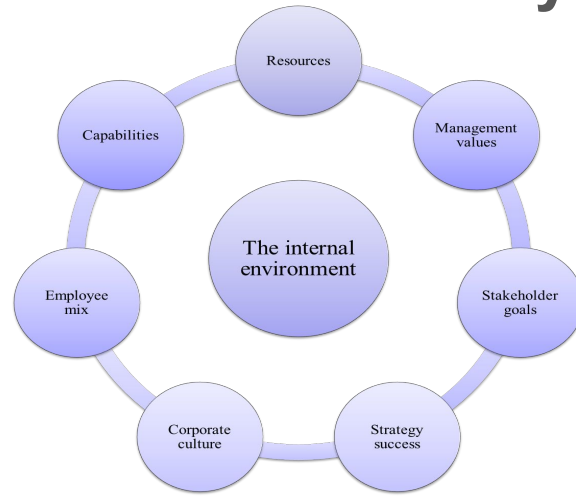


Macro Environment

- ❖ Economic
- ❖ Political & legal
- ❖ Technological
- ❖ Social
- ❖ Global

Internal Environment

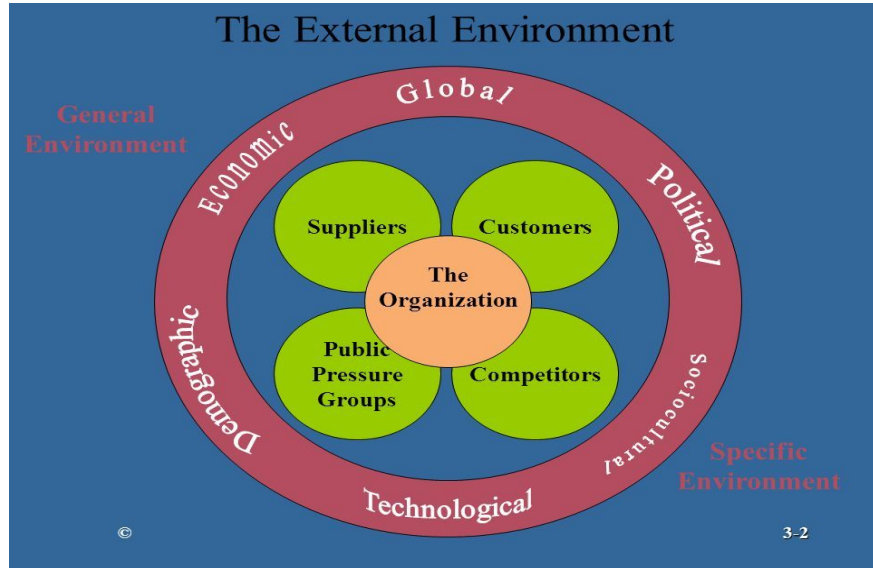
**Internal Environment includes all those factors
Which influence business and which are present
Within the business itself. These factors are usually
Under the control of business.**



External Environment

External Environment includes all those factors which influence business and exist outside the business. Business has no control over these factors. The external environment is divided into two categories :

- I. Micro Environment
- II. Macro Environment



Micro Environment

Micro Environment refers to all those external factors which are closely related to business and influence each industrial unit differently.

These factors are as under:

- **Customers** Customer of an industrial unit can be of different types. They include household , government , industry, commercial enterprises, etc. The no. of different types of customers highly influence a firm. A Father may not buy a same product for his daughter which he used to buy earlier, due to change in preference and taste of his daughter. The marketer has to closely monitor and analyse changes in consumer tastes and preferences and buying habits.



- **Competitors:** Competitors are the other business entities that compete for resources as well as markets. Competition shapes business. A study of competitive scenario is essential for the marketer. The competing firms can influence business in a no. of ways. They can do so by bringing new and cheap products in the market, by launching some sales promotion schemes etc.
- **Supplier:** Supplier forms a important component of the micro environment. They provide raw material, equipments, services and so on. Large companies rely on hundreds of suppliers to maintain their production. Also organisations have to take major decisions on 'outsourcing' or 'in-house' production depending on this supplier environments.
- **Market Intermediaries:** They are those persons who reduces the distance between the producers and customers. In many cases the customers are not aware of the product and its manufacturer. They buy products from the local retailers, big departmental stores or online stores that are increasingly becoming popular.



Macro Environment

Macro Environment refers to those external factors which have a distant relation with business and influence all business units almost in the same way.



1) Economic Environment

Economic environment consists of economic system, economic policies, and economic conditions prevailing in the economy.

Major elements of Economic Environment are:

Economic System- Socialist Economy System, Capitalist Economy system, and Mixed Economy System.

Economic policies-Export-Import policy, Taxation policy, etc.

Economic Conditions-Rate of Interest, Inflation etc.



2) Political - Legal Environment

It includes such factors as the general state political development, the degree politicization of business and economic issues, the law and order situation, political stability, the political ideology, and practices of the ruling party etc.

- **Government:** Business is highly guided and controlled by government policies. Taxes and duties are other critical areas that may be levied and affect the business. E.g: The Indian govt. is promoting manufacturing sector through campaigns like Make in India.



- **Legal** : Businesses must understand the relevant laws relating to companies ,competition, intellectual property,foreign exchange, labour and so on.
For e.g. New GST law will influence most of the businesses.



- **Political**: Political pressure groups influence and limit organisations. Special interest groups and political action committees put pressure on business organisations to pay more attention to consumers' rights,minority rights and so on.



3) Technological Environment

It refers to innovations relating to various business activities.

Major elements of Technological Environment:

1. Discovering new ways of producing goods and services.
2. Discovering new methods of operating a business.



4) Social Environment

It refers to the combination of all the characteristics of the society in which the organisation exists.

Major elements of social environment:

- **Traditions- Christmas, Diwali etc.**
- **Values- Freedom, Justice , Equality etc**
- **Social Trends-Health and Fitness etc.**



5) Global Environment

Today's competitive landscape requires that companies must analyse global environment as it is also rapidly changing. Among the global environmental factors that should be assessed are :



- Positive and negative impact of significant international events such as sport meet, terrorist attack.
- Identification of important emerging global markets and global markets that are changing.
- Differences between cultural and institutional attributes of individual global markets.

Conclusion

It is concluded that businessman should vigilantly analyse the Business Environment so that business is capable for grabbing the opportunities and minimising the threats. PESTLE analysis should be used to monitor the business environment. The PESTLE analysis is simple to understand and quick to implement. The advantage of this tool is that it encourages management into proactive and structured thinking in its decision making.



Thank You