

Unit 02

BUSINESS ENVIRONMENT AND ITS EFFECT ON BUSINESS ORGANIZATION

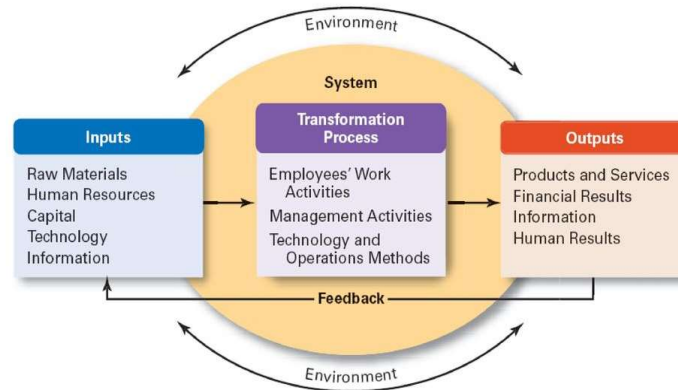
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Intended Learning Outcomes

- **Analyze** the business environment and its effects on an organization
- **Explain** the importance of continuity and being environmental sensitive
- **Explain** new dynamic of global business environment and its impact to the businesses



Business Organization as an Open System



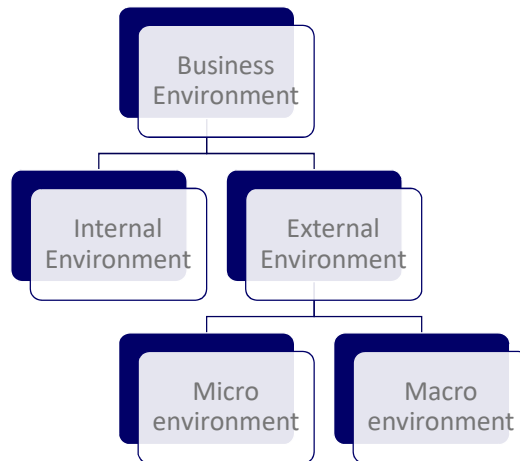
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What is Business Environment?

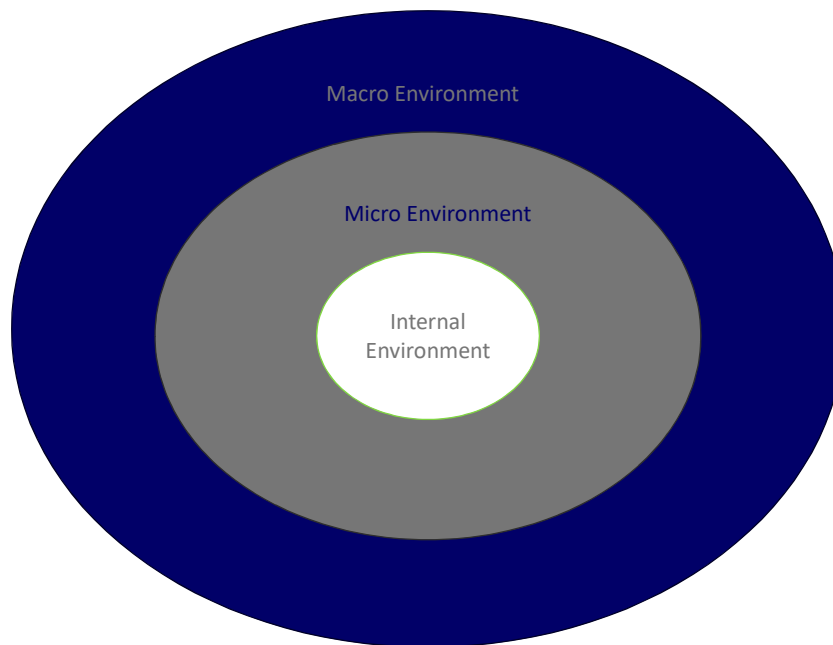
- A business environment refers to the internal and external factors affecting a business's operations.
- These factors are dynamic and constantly evolving. As a result, a business environment often results from a business sinking or swimming.



Elements of Business Environment



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Internal Environment

It includes the conditions, entities, events and factors within an organization that influence its activities and choices.

- Owners/Shareholders
- Employees
- Organizational structure
- Organizational culture



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External Environment

- It refers to the external factors that can affect an organization's performance and decision making.
- It includes:
 - Micro environment
 - Macro environment



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Micro Environment / Task Environment

- This consists of all the outside individuals, groups and organizations that affect the achievement of organizational objectives directly.

Example:

- Government
- Suppliers
- Creditors
- Debtors
- Banks and other financial institutions
- Competitors
- Potential investors
- Media and community



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Macro Environment

This consists of all the broad forces in the economy which affects the achievement of organizational objectives.

Ex:

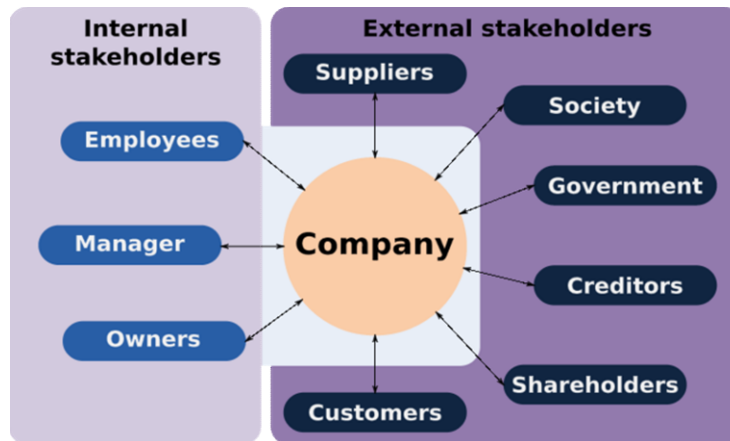
- Political factors
- Economic factors
- Social and cultural factors
- Technological factors
- Environmental factors
- Legal factors



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Stakeholders of Business & Their Impact on Business

A stakeholder is an individual or a group of individuals with an interest, often financial, in the success of a business.



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SWOT Analysis

The diagram is titled 'SWOT Analysis' and is presented in a light green background with the 'LivePlan' logo in the top right corner. It is organized into four quadrants, each with a specific icon and a list of questions:

- Strengths** (Icon: People):
 - What do you do well?
 - What unique resources can you leverage?
 - What do 3rd parties see as your strengths?
- Weaknesses** (Icon: Minus sign):
 - What needs improvement?
 - What do competitors do better?
 - What resources do you lack?
- Opportunities** (Icon: Magnifying glass):
 - What market opportunities are present?
 - How can you leverage your strengths?
 - What trends can you take advantage of?
- Threats** (Icon: Exclamation mark):
 - What is your competition currently doing?
 - Do your weaknesses expose your business?
 - What threats can hurt your business?

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PESTLE Analysis

P	E	S	T	L	E
POLITICAL	ECONOMICAL	SOCIAL	TECHNOLOGICAL	LEGAL	ENVIRONMENTAL
Example: <ul style="list-style-type: none"> • Current tax policy • Brexit • Trade policies • Political stability • Government policy 	Example: <ul style="list-style-type: none"> • Inflation rate • Exchange rates • Economic growth • Interest rates • Disposable income • Unemployment rate 	Example: <ul style="list-style-type: none"> • Lifestyle attitudes • Cultural barriers • Population growth • Population age • Health consciousness • Target demographics 	Example: <ul style="list-style-type: none"> • Level of innovation • Automation • Technological awareness • Cybersecurity • Technological change • Internet availability/speed 	Example: <ul style="list-style-type: none"> • Employment laws • Discrimination laws • Health and safety • Copyright protection • Consumer safety 	Example: <ul style="list-style-type: none"> • Weather • Climate change • Environmental policies • NGO pressure • Recycling • Pollution • Sustainability

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Porters Five Forces Model

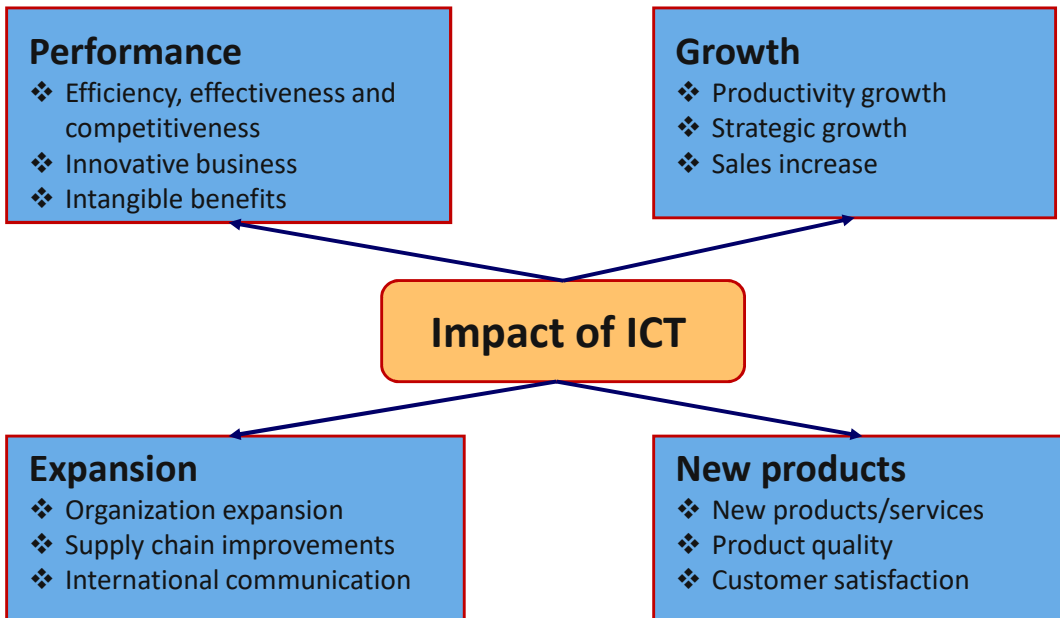


ICT, Business and Society



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Impact of ICT on Organizations



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Locating a Business in an Environment Based on Degree of Change

- Do your best to plan ahead.
- Bring in the right people to support you.
- Pay attention to how you communicate.
- Invest in coaching.

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Learning Organization

A learning organization is a dynamic and adaptable entity that values the acquisition, creation, and sharing of knowledge.



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Environmental Sensitivity

The environmental sensitivity of managers **expresses the sensitivity of managers as individuals concerning environmental issues.** Increase of sensitivity increases the intentionality of managers to implement environmental management.



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Environmental Sensitivity & Managerial Role

- It Helps in Identifying Opportunities and Making First Mover Advantage.
- It Helps the Firm Identify Threats and Early Warning Signals.
- It Helps in Tapping Useful Resources.
- It Helps in Coping With Rapid Changes.
- It Helps in Assisting in Planning and Policy Formulation.
- It Helps in Improving Performance.

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New dynamic of Global Business Environment

The global business environment is a term used to describe the challenges and opportunities that businesses face when operating in a global marketplace.

- Rapid technological advancement
- Economic uncertainty
- Changing consumer expectations
- Regulatory changes
- Globalization and market volatility



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Past papers



January 2024

Which one of the following is **not** a force in the task environment of a business?

- (1) Customers. (2) Competitors.
- (3) Economic Environment. (4) Suppliers.

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July 2023

List two(02) variables of the internal environment of a business.

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January 2023

- Which one of the following is an internal stakeholder of a business?
(1) Society. (2) Creditors. (3) Competitors. (4) Owners.
- State two(02) forces in Porter's Five Forces Analysis.

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Thank You