

◉ ***Title of the*** : ***Types of
Business
Environment***

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◉ ***Semester*** : ***II***

SYNOPSIS

- Introduction of business environment
- Types of business environment
- Internal and external environment
- Types of external environment
- Question and answers
- Conclusion

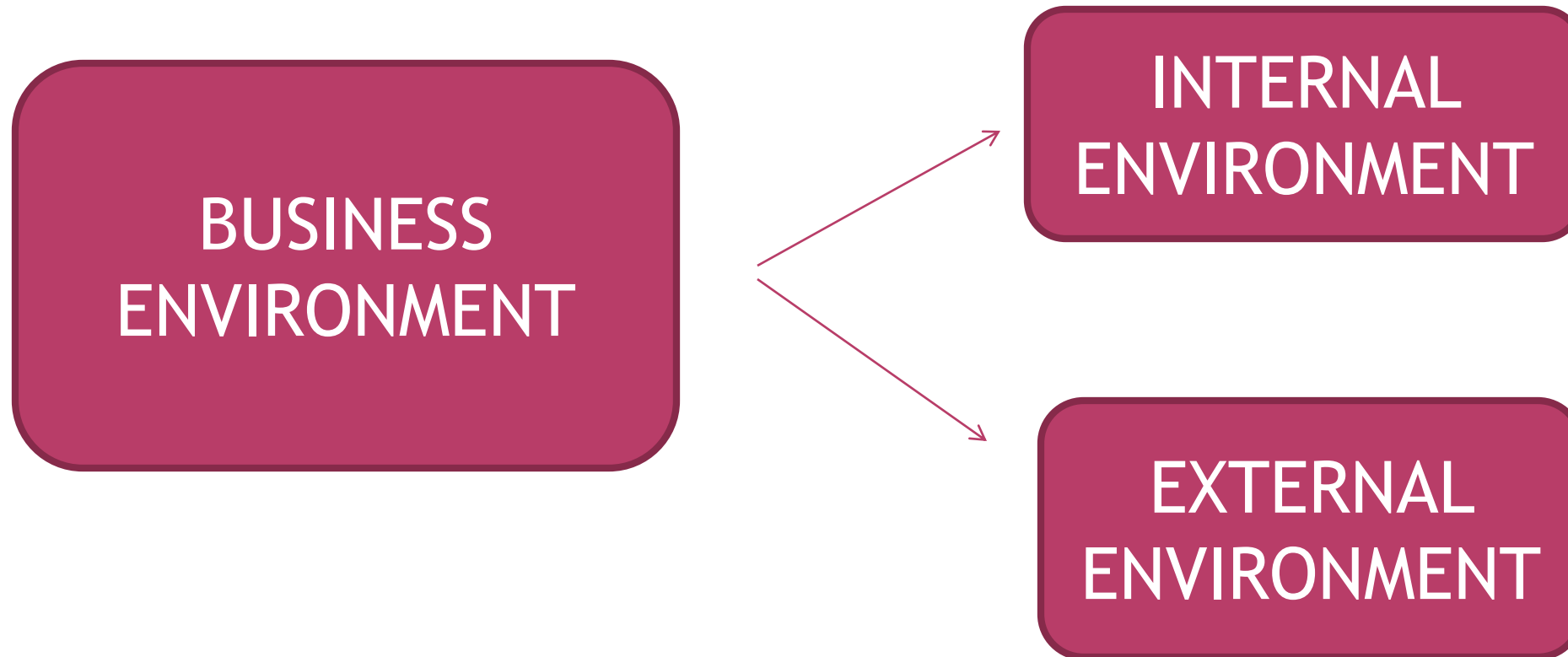
INTRODUCTION

According to Lewis H. Haney, “ business may be defined as human activity directed towards producing Or acquiring wealth through buying and selling goods “.

According to william f. Glueck and Lawrence r. Jauch, “the environment includes factors outside the firm which can lead to opportunities for or threats to the firm. Although there are many factors, the most important of the sectors are socio economic, technological, suppliers, competitors and government “.

TYPES OF BUSINESS ENVIRONMENT

- ◉ There are two types of Business Environment



INTERNAL ENVIRONMENT

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EXTERNAL ENVIRONMENT

- ◉ Internal environment - It refers to factors existing within a business firm. These factors are regarded as controllable factors .

- ◉ External environment - It refers to factors existing outside the firm. These factors are regarded as uncontrollable factors. These are of two types namely:
 1. Micro environment
 2. Macro environment

INTERNAL ENVIRONMENT- FACTORS

Internal environment refers to factors existing within a business firm because the company has control over factors that can be altered or modified so they are regarded as controllable factors.

- 1. Financial factors:** factors like financial policies, financial position and capital structure are also important internal environment affecting business performances, strategies and decisions.
- 2. Physical and human resources:** The characteristics of the human resources like skills, attitude, quality etc., could contribute to the strength and weakness of an organization which may differ too.
- 3. Company image and brand equity:** The image of the company matters while raising finance, launching new products, entering purchase or sale con

4. R&D and technological capabilities: It determines a company's ability to innovate and compete.

5. Promoter's vision: the extent to which the value system is shared by all, in the organization is an important factor contributing to success.

6. Work environment: in the organizational structure, the composition of the board of Directors, extent of professionalization of management, etc., are important factor influencing business decisions.

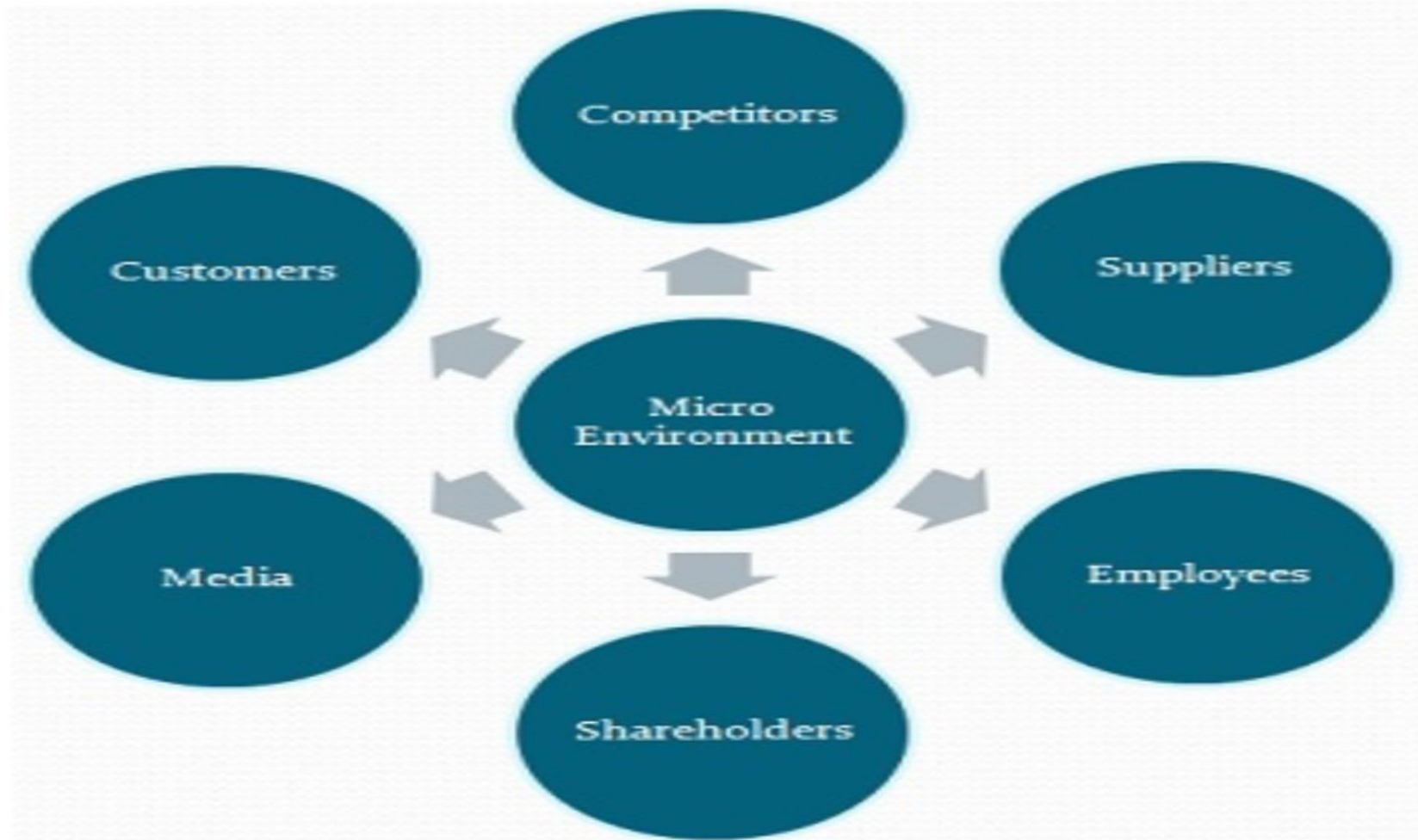
7. Objectives of business: the business domains, priorities, philosophy, policies are guided by the mission and objectives of the company.

8. Morale and commitment of human resources: Quality of human resources, a component of internal environment is largely responsible for success or failure of business unit.

EXTERNAL ENVIRONMENT

- **The external environment refers to factors existing outside The business firm. As the external environmental factors are beyond the control of a firm it is regarded as uncontrollable factors. The various elements of external environment consist of the following:**
 1. **Micro environment**
 2. **Macro environment**
- **According to hill and Jones, “ *The micro environment of a company consists of elements that directly affect the company such as competitors, customers and suppliers*”.**

MICRO ENVIRONMENT



Micro Environment

MICRO ENVIRONMENT

According to Hill and Jones, “ The micro environment of a company consists of elements that directly affect the company such as competitors, customers and suppliers”.

◉ *Some of the factors that are affecting the success of the firm are :*

suppliers: *These are those who supply the inputs like raw materials and components of the company.*

Customers: *customer is the central point of any business. Success of a business organization depends upon identifying customers, Their needs, tastes, liking, etc., and enhancing the level of customer satisfaction.*

Competitors: A firm's competitors includes not only other firms, which market the same or similar products, but also all those who compete for the discretionary income of the consumers.

Marketing intermediaries: Firms that aid the company in selling, promoting, distributing its goods to buyers.

Market intermediaries include the following:

- * **Middlemen:** it includes wholesalers, retailers, departmental stores etc.
- * **marketing agencies:** it includes advertising Agencies, consultancy firms, Media firms, market research firms, etc.
- * **financial intermediaries:** it includes banks, insurance companies, financial institutions, money and capital markets, etc.
- * **physical intermediaries:** it includes warehouses, transport, agencies, etc.

Public: “ A public is any group that has an actual or potential in or impact on

An organization’s ability to achieve its interests “. Growth of consumer publics

Is an important development affecting business. It includes both users and non-

Users of the product. Various types of public are:

** media public: it includes all newspapers, magazines, journals which publish*

Favourable remarks about the company.

** local public: it refers to people living in the area where business unit is set-up.*

MACRO ENVIRONMENT



Macro Environment

MACRO ENVIRONMENT

- ◉ **According to Hill and Jones,** “ The macro environment consists of the broader economic, social, political, legal, demographic and technological setting with which the industry and the business units are placed.
- ◉ **The macro factors are more uncontrollable than the micro forces.**
 1. **Economic environment-** the economic policy of the government has a very great impact on business. Some types of categories of business are favourable affected by government policies.
 2. **Socio-cultural environment-** It consists of human relationships and development on the business of an organization. Such as values, customs, habits etc.,.

3. Political environment: political environment consists of factors related to management of public affairs and it has a close relationship with the economic system and policies.

4. Technological environment: it is an knowledge of methods to perform certain tasks or solve problems pertaining to produce or services.

5. Legal environment: central ,state government and local bodies affect business operations. So, changes in it lead to increase in opportunity and new business for firms.

6. Demographic environment: it consists of factors like size, growth, sex and age of the population these factors are relevant to business which affect demand for the product.

7. Natural environment: it deals with factors of geographical, ecological that influence location of certain industries.

8. International environment: it is particularly important for industries directly depending upon imports or exports or enterpot industries.

MCQ'S

1. In which Of the following basic categories Can business environment be divided?

- A. Local and regional**
- B. Regional and national**
- C. Internal and external**
- D. Financial and non- financial**

Answer: c

2. Economic Environment Refers to all factors which have A

- A. Social**
- B. Political**
- C. Natural**
- D. Economic**

Answer: D

3. _____ Environment is With in the control of the business.

- A. Macro**
- B. External**
- C. Micro**
- D. Internal**

Answer: D

4. _____ environment is beyond the control of the business.

- A. External
- B. Micro
- C. Macro
- D. Internal

Answer: a

5. The environment which is close to Business and affect its capacity to work

is known as _____ Environment.

- A. Internal
- B. Macro
- C. Micro

Answer: C

CONCLUSION

- ⦿ **Business has a great impact on the working of the business. It may also lead to it's failure or success.**
- ⦿ **The factor affecting may be internal or external. It needs to be analysed timely so that measures can be taken and type of lose among Interested parties is prevented.**

THANK YOU