

BUSINESS ENVIRONMENT

CONCEPT OF BUSINESS ENVIRONMENT

Business environment refers to all internal and external forces, elements and factors which influence the development, performance, and outcome of a business. In short, business environment is the surroundings where business firm grow up. Business is environment specific. It operates in a dynamic environment. Environmental adaptation is the essence of business survival and growth. The aggregate name of factors and forces that influence business and business related activities is business environment. Business environment consists of sum total of all factors forces, events and institutions that surround business. They influence its performance, development and outcome. The internal environmental forces are located within the business and can be controlled and define the scope of business, whereas external environmental forces are located outside the business and are complex in nature. However, both internal and external environmental forces play on important role in influencing the outcome of business.

SALIENT FEATURES OF BUSINESS ENVIRONMENT

The salient features of the business environment are given hereunder:

1. **Dynamic**: The environment in which the business operates changes continuously because there are a wide variety of factors that exist in the environment, causing it to change its shape and character.
2. **Complex**: There are many forces, events and conditions that constitute business environment, arising from various sources. So, it is a bit difficult to understand the relative influence of a particular factor, on the operation of the organization.
3. **Uncertain**: Uncertainty is an inherent characteristic of the business environment because no one can predict what is going to happen in future.
4. **Multi-faceted**: A single change in the business environment can be viewed differently by different observers because their perceptions vary.
5. **Far-reaching Impact**: The survival, growth and profitability, of a business enterprise, depends largely on the environment in which it exists. A small change in the environment has a far-reaching impact on the organization in different ways.
6. **Relative**: The notion of a business environment is relative since it varies from one location to another.

IMPORTANCE OF BUSINESS ENVIRONMENT

1) Determining Business Opportunities and Threats

One of the primary benefits of a business environment is that the interaction between a business and its environment, usually, highlights the business opportunities and threats to the business.

2) Continuous Learning

Since the environment is inherently dynamic in nature, it constantly keeps changing. This keeps the managers motivated to continuously update their knowledge and skills. This helps them prepare for predicted and unpredicted changes in the realm of business. For example, after the introduction of GST, how has your consumers' buying behavior changed?

3) Image Building

The image of a business can improve to a great extent if the organization displays sensitivity to its environment. Also, in order to do so, the business must understand its environment well. As an example, many factories find power shortage as a factor in their business environment. Hence, many companies have set up Captive Power Plants (CPPs) in their factories to fulfill their power requirements.

4) Meeting Competition

In any business, it is important to be aware of the actions and strategies of their competitors. A business environment enables firms to analyze their competitors' strategies and actions. Further, they can create their own strategies accordingly. If one takes a quick look at the telecom sector, almost all providers offer similar services at similar prices. The reason is that most telecom organizations ensure that they are abreast of the strategies and actions of their competitors. The markets are highly competitive and firms face an uphill task to survive and grow in them. Understanding the importance of business environment and deploying resources to analyze it thoroughly can be a big stepping stone for the success of any business.

5) Coping with Changes

The business must be aware of the ongoing changes in the business environment, whether it be changes in customer requirements, emerging trends, new government policies, technological changes. If the business is aware of these regular changes then it can bring about a response to deal with those changes. For example, when the Android OS market was blooming and the customers were preferring Android devices for its easy interface and apps, Nokia failed to cope with the change by not implementing Android OS on Nokia devices. They failed to adapt and lost tremendous market value.

6) Assistance in Planning

This is another aspect of the importance of the business environment. Planning purely means *what is to be done in the future*. When the Business Environment presents a problem or an opportunity, it is up to the business to decide what plan would it have to come up with in order to address the future and solve the problem or utilize the opportunity. After analysing the changes presented, the business can incorporate plans to counteract the changes for a secure future.

7) Helps in Improving Performance

Enterprises that are thoroughly scanning their environment not only deal with the changes presented but also flourish with them. Adapting to the external forces help the business to improve the performance and survive in the market.