



- **Uncertainty:**

Business environment is largely uncertain as it is very difficult to predict future happenings.

- **Relativity:**

Business environment is a relative concept as it differs from country to country and region to region.

e.g. Demand of saree is high in India comparative to other countries.

- **Specific and General forces:**

Specific forces affects individual enterprises directly and immediately whereas general forces have impact on all business enterprises.

- **Forecasting is not possible for all developments:**

Many developments such as interest rate fluctuations, the rate of inflation etc are difficult to predict on long term basis which makes difficult to maintain business environment.

Objectives of Business Environment

- **Knowledge of Information:**

Every businessman should be aware about the current environment of the business to change accordingly.

- **Basis of Decision:**

It contains all the information which is needed for taking good decision.

e.g. If a business knows about its competitors, suppliers and customers they take decision about price, purchase, salary etc.

- **Helpful in making of policies:**

For making good business policies one needs to know and scan business through business environment.



- **Technological Planning:**

In today's environment it is really important for the business houses to keep themselves changing according to the technological changes in the market.

- **Survive in the business:**

Sometimes industry may face recession. In such condition only those business will survive who estimate this entire situation in advance through business environment study.

Types of Business Environment

Internal Environment

External Environment

- Financial Resources
- Physical and human Resources
- Objectives of Business
- Work Environment
- Corporate Image
- Labour management Relationship
- 7) Technological Capabilities

Micro Environment

Macro Environment

Internal Environment:

Internal environment refers to factors existing within a business firm. These factors are generally regarded as controllable factors because the company has control over these factors.

- **Financial Factors:**

Factors like financial policies, financial procedures and capital structure are also important internal environment affecting business performance, strategies and decisions.

- **Physical and Human Resources:**

The characteristics of the human resources like skill, quality, moral, commitment etc., contribute to the strength and weakness of an organization.

- **Objectives of Business:**

The business domain of the company, direction of development, business policy etc., are guided by the objectives of the company



- **Work Environment:**

The organisational structure, company policies, extent of professionalism in management etc., are important factors influencing business decisions.

- **Company Image and Brand:**

The image of the company matters while raising finance, forming joint ventures, entering purchase or sales contract etc.

- **Labour Management Relationship:**

Factors like the amount of support top management enjoys from different level of employees, and other participants influences company decisions and their implementations.

- **R&D and Technological Capabilities:**

It determines a company's ability to innovate and compete.