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Importance of Business Environment

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## Business Environment Concepts, Components and Importance:

### Meaning of Business Environment:

Business environment refers to factors, individuals and institutions which are outside the control of business enterprise but these may affect its performance.

In simple words: the Business environment is the surroundings in which business exists. Here surroundings means; the economic, social, political, technological, legal and other forces which operate business enterprise are part of business environment.

Since environment factors influence business enterprise so it becomes essential for businessmen to do environment scanning. That is, Business environment scanning refers to complete awareness and understanding of business environment.

**Definition 1:** According to Prof. Weimer, "Business environment encompasses the climate or set of conditions economic, social, political or institutional in which business operations are conducted".

According to William S. Lawrence: "The environment includes factors outside the firm which can lead to opportunities or threats to the firm. Although there are many factors the most important of these factors are socio-economic, technological, suppliers, competitors and government."

## Importance of Business Environment :-

The environmental forces have a direct impact on the firm and its activities, All managers must take into account the element and forces of their external environment. Proper understanding and awareness about the business environment brings lots of benefits for the businessmen and these benefits are :-

- ① **Enables the firms to Identify Opportunities and Getting First Mover Advantage :-** The businessmen who are able to understand and scan the opportunities of Business environment at early stage they get maximum benefit or they can capture a big share in the market. They can go much ahead of their competitors.
- ② **Warning Signal :**  
Along with the availability of opportunities provided by the study of business environment. If the knowledge about the threats is available in time efforts can easily be made to face or surmount them.
- ③ **Tapping Useful resources :**  
An organisation needs a number of resources to carry on its business (eg material, machine, man, money). With the help of these resources goods and services are produced. A business gets resources from the environment and provides goods & services to the same environment.

#### (A) Coping with Rapid changes:

Various factors connected with business eg. competition, fashion, number of customers, technology etc. are changing quickly. If the speed of change was a little less it can be faced with comparative ease but to face the rapidity of change is a very difficult task. So environment scanning helps in coping with the rapid change.

#### (5): Assisting in Planning and Policy Formulation:

The knowledge of the business environment presents the basis for planning and policy. The major strategies or plans and policies in the org. are formed keeping in mind business environment because the policies and strategies have to be implemented in the presence of environment-factors. So, these must be made keeping in mind the environmental factors. Scanning of environmental factors helps in finding out the opportunities of business & strategies can be made to grab these opportunities.

#### (6) Improvement in Performance:

By making changes in the internal environment matching to external environment org. can prosper and improve their market share. Those org. which keep a constant eye on it and analysis it correctly definitely win the race and remain alive for a long time.