

## SECTION – 2

### QUESTION-3.

#### ANSWER:-

Business Environment:- **business environment** means all of the internal and external factors that affect how the company functions including employees, customers, management, supply and demand and **business** regulations. An example of a part of a **business environment** is how well customers' expectations are met.

#### **Factors Affecting Business Environment:-**

##### **Economic environment:-**

Economic factors that influence the business are the collective of the nature of the country's economic system, its structures, and economic policies, how the capital market is organized, and nature of factors of production, business cycles, and socio-economic infrastructure. Any successful organization pictures out the external factors that affect the business, anticipates the prospective market situations and work to minimize the costs while maximizing the profits. When Burberry noticed the high demand of rainwear, it utilized this opportunity increasing its production in the market. Also, due to Japanese and American craving for prestigious designer goods, Burberry export business increased dramatically (Burberry 2012). Changes in demand are also one great factor that determines success and business performance. Still on the economic aspect, it is undeniable that all business and non-business organizations felt the impact of the 2008 economic crisis, which rocked the whole world. The trends on most business performances dropped during this period and Burberry experienced a low just like any other business. Performance trends in Burberry are expected to at least have a flow of returns that conforms to this trend.

##### **Social environment:-**

The country's social environment affects the functioning of the business since it determines the value system of the society. Sociological factors establish the culture of work, labor mobility, work groups etc, hence, business operation of an enterprise. These factors include cost structure, customs and conventions, cultural heritage, peoples' view towards wealth and income and scientific methods, seniority respect, mobility of labor (Shaikh 2010). All these factors have big impact on the business. For example, peoples' demand determine the kind of products to be offered for sale; this demand is consequently affected by peoples' attitudes, customs, cultural values, fashion and other related forces. The code of conduct that is supposed to be followed by the business is determined by the socio-cultural environment.

##### **Technological environment:-**

Technological factors affects business concerning technological investment, technological application and the effect of technology on markets. Therefore, any technological advancement affects highly the business in a country. The type and

quality of goods and services to be produced and the type and quality of plant and equipment to be used in a company, is determined by the kind of technology employed by that company (Mühlbacher, Dahringer & Leihns 2006). Burberry is extending its web reach so that its customers worldwide can view its brands. For example, the company is targeting the Chinese shoppers directly by launching a site in China. This is because this target market accounts for 30% of sales in its London stores (Burberry, 2012).

### **Legal environment:-**

The legal environment affects the business and its managers greatly. Legal factors involve how flexible and adaptable the law and legal rules that govern the business are. It also includes the exact rulings and courts decision. Legal provisions may also contribute to more or less income depending on the environment of operation. For example, Burberry Limited makes a considerable portion of its income from licensing, which amounts to about £109 million pounds. This is made possible as portrayed by the graph below because of laws and regulations in its foreign destinations of operations, which allow it to charge licensing fee.