



Business is affected by different factors which collectively form the business environment. These include economic, social, legal, technological and political factors.

### 1. Environment Analysis-Political environment

The political environment of any country influences the business to a larger extent. This political environment is influenced by the political organization, philosophy, government ideology, nature and extent of bureaucracy, the country's political stability, its foreign policy, defense and military policy, the country's image and that of its leaders both locally and internationally (Shaikh 2010). For example a country's policy that restricts the growth of multinationals in the market will automatically limit the business operations of the company hence its growth. Similarly, government policy that allows licensing that is liberal, liberal exportation and importation, inflow of foreign capital and technology, affects the business operation. Globalization as government policy too has influence on the business. Burberry was able to establish its first foreign outlets in Paris, United States and South America, and



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...ans, United States and South America, and export its first shipment of raincoat to Japan because of the government's globalization policy.

## 2. 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.

## 3. Social environment



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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.

### Features of Mixed Economy

- Coexistence of All Sectors: In a mixed economy all three sectors coexist in harmony, i.e. private sector, public sector, and joint sector. The joint sector is jointly run by the government and private companies, with at least 51% ownership belonging to the state.
- Cooperative Sector: In a mixed economy another sector exists, the cooperative sector. The main aim of the formation of this sector is so that the government can provide financial assistance to cooperative societies involved in warehousing



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- **Freedom and Control:** Here all individuals have the freedom to produce goods and products, hold property, choose their occupation and choose or demand products/services they want. But to keep a check on monopolistic practices and discrimination of the lower sectors of society the state maintains some control.



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