

Business Environment:

Definition of Business Environment is sum or collection of all internal and external factors such as employees, customer's needs and expectations, supply and demand, management, clients, suppliers, owners, activities by government, innovation in technology, social trends, market trends, economic changes, etc. These factors affect the function of the company and how a company works directly or indirectly. Sum of these factors influences the companies or business organizations environment and situation. Business environment helps in identifying business opportunities, tapping useful resources, assists in planning, and improves the overall performance, growth, and profitability of the business. There are various types of Business Environment like Micro Environment and Macro Environment.

Introduction to Business Environment:

Business Environment is the most important aspect of any business. The forces which constitute the business environment are its suppliers, competitors, media, government, customers, economic conditions, investors and multiple other institutions working externally.

Internal and External Environments:

If there is anything that is steadfast and unchanging, it is change itself. Change is inevitable, and organizations that don't accept change and that make adjustments to their **business model** to keep up with changes are doomed to fail. There are events or situations that occur that affect the way a business operates, in a positive or negative way. These events or situations can have either a positive or a negative impact on a business and are called **environmental factors**.

There are two types of environmental factors: **internal environmental factors** and **external environmental factors**. Internal environmental factors are events that occur within an organization. Generally speaking, internal environmental factors are easier to control than external environmental factors. Some examples of internal environmental factors are:

- Management changes
- Employee morale
- Culture changes
- Financial changes and/or issues

External environmental factors are events that take place outside of the organization and are harder to predict and control. External environmental factors can be more dangerous for an organization given the fact they are unpredictable, hard to prepare for, and often bewildering. Some examples of external environmental factors are:

- Changes to the economy
- Threats from competition
- Political factors
- Government regulations
- The industry itself