



Course Learning Outcomes for Unit II

Upon completion of this unit, students should be able to:

2. Examine the different environments in which businesses operate, to include social, technological, economic, legal, and market.
 - 2.1 Describe how different environments impact a business.
 - 2.2 List the characteristics of different environments as they relate to a business.

Reading Assignment

In order to access the following resource(s), click the link(s) below:

Parrenin, A., Rau, P. P., & Zhong, R. (2015). Impacts of cultural differences in a business environment for French companies in China. *Global Business & Management Research*, 7(1), 93-108. Retrieved from <https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=103267166&site=ehost-live&scope=site>

Politicians must help business thrive. (2015). *Director*, 68(7), 72-73. Retrieved from <https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=101881259&site=ehost-live&scope=site>

Surijah, A. B. (2016). Global environment, corporate strategy, learning culture and human capital: A theoretical review. *International Journal of Organizational Innovation*, 8(4), 188-200. Retrieved from <https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=114725530&site=ehost-live&scope=site>

Click [here](#) to access an interactive tutorial about service operations.

Click [here](#) to access an interactive tutorial about operations scheduling and control.

Click [here](#) to access an interactive tutorial about productivity versus quality.

Unit Lesson

Introduction

Now that you have gained an understanding of the basic components of business, it is time to discuss the various environments in which a business operates. For the purposes of this lesson, an *environment*, as it pertains to a business, is everything combined, both internal and external factors, that influence the way in which a business operates. It is necessary to understand that no business operates alone or unaffected by outside forces. Generally, the main factors that influence a business's operations and create its various environments are social, technological, economic, legal, global, and market. We will begin this lesson by discussing the social environment of business.

Social Environment

According to Bovée and Thill (2013), all businesses exist and operate in a broad *social environment* that is comprised of all events and actions that make up society as a whole. Every organization is affected by where it is located and the population and people who make it up. Trends in society affect how businesses operate, who they cater their goods and services to, and what types of goods and services they offer. For example, while a popular fast-food chain may have restaurants across the globe, a menu item that may be wildly

popular in one country may not be popular at all in another part of the world. Society sets the tone for the business and has expectations that will more or less dictate the relationship that organizations have with people within society.

Technological Environment

The second environment in which businesses operate is the *technological environment*. Today, especially, changes in technology can, and often will, dramatically change how a business operates. In fact, technological advancements have even put some organizations out of business. New advancements in technology may not only alter how a business functions internally but may also change the types of goods and services that a company offers, as well as the customers. As a result, technology is now a major source of a company's competitive advantage (something that an organization possesses that makes it more attractive to its clients and customers). Technology now plays a large role in how companies operate; specifically, the use of technology by companies can actually be a threat to rival organizations that do not possess the advancements that other companies possess.

Economic Environment

Almost all decisions made by an organization are a result of its *economic environment*. The economic environment of a business consists of factors that not only affect the types of goods and services that a business offers, and their availability, but also the cost of labor and the behaviors of both buyers and sellers. If an economy is strong, then a company could possibly see an increased demand for its goods and services, thereby allowing the firm to support any increases in its prices for products, raw materials, and labor. Conversely, if the economy is bad, even the most successful companies can, and often will, see a decreased demand for their goods and services, which can negatively affect their profits.

Legal Environment

Just like individuals, businesses and organizations have laws and regulations that they must follow, and they must remain compliant. The *legal environment* of business has a tremendous impact on how organizations operate because there are laws and regulations at the local, state, national, and international levels that all businesses must adhere to in one way or another. In many industries, laws and regulations determine exactly how much businesses can charge customers for goods and services, while in other industries, governments set laws that require businesses to obtain special permits and licenses before they can even operate and offer their goods and services to customers. Finally, governments also establish laws that determine what, if any, amounts that organizations will be taxed for doing business. While all laws and regulations may have the best intentions, they can have a negative impact on communities in which businesses operate. For example, if a business or industry operates in a location in which they are continually being taxed at high rates, business leaders may choose to leave this area and operate in locations that do not tax them as much. When this occurs, not only are the companies affected, but so are the communities in which they operate because of job losses and the revenues that the businesses bring to local communities.

Global Environment

Today, thanks to advancements in modern technology and several free trade agreements, businesses can and do operate in the *global environment*. This means that organizations can now do business, in real time, with customers and other companies around the world. This has helped economies of other countries grow at an incredible rate. As a result, it has given countries such as India and China better economic power in the world setting. Additionally, many companies are now understanding that it is much less expensive to outsource jobs such as technical support, customer service, and computer programming to other countries because of the inexpensive costs of labor. While this is great for the foreign countries and foreign workers, it can be detrimental to workers in a company's home country because it puts domestic workers out of jobs. Additionally, the global environment has made it so people must now be more cognizant of customs and cultures from other parts of the globe because there is a better-than-average chance that domestic workers will conduct business with foreign customers and counterparts. Finally, we must consider that now, because the world is a global marketplace, what happens in one country can affect business around the globe. For example, look at how the economies and various industries (i.e., the travel industry, especially the airline industry) were impacted by the events of September 11, 2001. While the terrorist attacks on 9/11 happened in the United States, worldwide travel was negatively affected, which damaged foreign industries like tourism.

Market Environment

The final environment that all businesses operate within is the *market environment*. A business's market environment is comprised of its target customers, buying influences of target customers, and its competitors. All three of the aforementioned forces constantly impact the way in which a business operates. For example, if the target market or customers (customers or groups of customers the company wants to sell specific products and services to) desire a certain product or service but are not willing to pay a certain price for it, then the company must change its price to be in line with what customers want. Otherwise, the business's competition will charge the desired price and take away the customers of the original business. As a result, businesses must always assess and reassess their strategies. If leaders of a business do not take into account the behaviors of the forces mentioned earlier, and change their behaviors and strategies accordingly, then they can expect to lose their place in their respective market.

Understanding the various environments in which businesses operate allows business leaders to make better and more informed decisions. Can possessing a good understanding of the environments prevent companies from suffering profit losses and going out of business? That is not necessarily the case. However, by understanding the various environments in which businesses function, leaders can mitigate against any negative backlash that may occur, and that could mean the difference between losing some profit and going out of business entirely.

Reference

Bovée, C. L., & Thill, J. V. (2013). *Business in action* (6th ed.). Upper Saddle River, NJ: Pearson.

Suggested Reading

Click [here](#) to access a video about Boeing Satellite Systems and how technology has impacted the business.