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Module: Introduction to Business Management

Level: Second year LMD

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Lecture 02 : The Environment of Business Management

Objectives :

- 1- Outlining the meaning of the Enreprise
- 2- Outlining the meaninig, features and components of Business Management Environement

Structure ;

- 1- Introduction
- 2- Meaning of Entreprise
- 3- Meaning of Business Environment
- 4- Features of Business Environment
- 5- Components of Business Environment
- 6- Conclusion
- 7- Glossary

1- Introduction :

Environment is closely related with business and firms. There is a constant « give and take » relationship between Enterprise and its Environment.

The Enterprise receives inputs, information and technology from the Environment and gives it back in the form of outputs (goods and services).

If these outputs are accepted by the Environment, the enterprise-environment interaction continues but if they are unacceptable to the Environment, Enterprise adapts the Environment requirements and changes their operations.

The Enterprise has to look after the interest of stakeholders like shareholders, consumers, workers, suppliers ...etc.

The Environment also offers threats and opportunities to which the Enterprises have to respond positively.

2- Meaning of Enterprise:

The Enterprise is an economic unit, legally autonomous whose main function is to produce goods or services for the market

relatively autonomous organization, equipped with human, material and financial resources with a view to carrying out a stable and structured economic activity.

The term **enterprise** can have various definitions depending on the context in which it is used. Here are some different definitions

1. **Company**: A general term for a business entity formed to engage in commercial activity. Can be small or large and can operate in any sector.
2. **Corporation**: A specific type of company that is legally recognized as a separate entity from its owners, providing limited liability to its shareholders. Often larger and more complex in structure.
3. **Organization**: A broad term that includes any group of people organized for a specific purpose, which can include businesses, non-profits, governments, etc.
4. **Institution**: Typically refers to an established organization, especially one dedicated to education, public service, or culture, like universities, hospitals, or museums.
5. **Firm**: A business, often used to refer specifically to partnerships, like law firms or consulting firms.
6. **Business**: A general term for any entity that engages in commercial, industrial, or professional activities.

7. **Establishment**: Can refer to a single location where business is conducted, like a store or factory, or to the founding of a company or organization.
8. **Startup**: A new, often innovative business in its initial stages of development, usually aiming for growth and scalability.
9. **Non-Profit**: An organization that operates for a purpose other than generating profit, often focusing on social, educational, or charitable activities.
10. **Sole Proprietorship**: A business owned and operated by a single individual. The owner has unlimited personal liability for the debts of the business.
11. **Partnership**: A business owned by two or more individuals who share profits and liabilities. Can be a general partnership or a limited partnership (LP).
12. **Holding Company**: A parent corporation that owns enough voting stock in another company to control its policies and management.
13. **Foundation**: A type of non-profit organization that typically provides funding and support for charitable activities, often established by a family or corporation.

3- Meaning of Business Environment :

Business Environment is sum or collection of all internal and external factors such as employees, customers 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.

It is "a set of external and internal factors that influence the business, including political, economic, social, technological, legal, and environmental factors." *Principles of Management* by Harold Koontz and Heinz Weihrich (2005)

"The surrounding factors that either help or hinder the development of businesses. These include factors such as economic conditions, technological developments, legal requirements, and cultural trends." *Understanding Business* by William Nickels, James McHugh, and Susan McHugh (2019)

4- Features of Business Environment :

a) **Dynamic Nature:**

The business environment is constantly changing due to factors such as technology, market trends, and policies. It requires businesses to adapt to these fluctuations.

b) **Complexity:**

The business environment comprises numerous interrelated factors—political, economic, social, and technological—that can be difficult to predict and manage.

c) **Interdependence:**

Businesses do not operate in isolation; they are influenced by and contribute to the broader environment, including competitors, suppliers, customers, and regulators.

- d) Uncertainty:**
Changes in the business environment, such as new regulations, market competition, or economic conditions, can be unpredictable, making it challenging for companies to plan.
- e) Multifaceted:**
The business environment involves both internal factors (within the organization) and external factors (outside the organization) like government policies, economic trends, and societal expectations.
- f) Global Influence:**
In today's interconnected world, businesses are affected not only by local factors but also by global events such as international trade policies, global competition, and cross-border regulations.
- g) Relative Impact:**
The impact of the business environment varies across different organizations. A factor that affects one business significantly may have little effect on another, depending on the industry, market, or location.
- h) Opportunities and Threats:**
The business environment presents both opportunities for growth and challenges or threats to the survival of businesses, requiring constant analysis and strategic planning

5- Components of Business Environment :

The Business Environment can be divided in two main parts :Internal Environment and External Environment

5-1) Internal Environment:

The internal environment comprises factors within a company's control, allowing adjustments to align with its goals. These factors include:

- **Organizational Beliefs:** Reflecting values, ethics, and guiding principles shaping the company's culture, structure, and practices.
- **Long-Term Goals:** Strategic plans guiding the company towards its larger objectives and mission.
- **Organizational Structure:** Defining roles, responsibilities, and authority, is crucial for achieving short-term and long-term goals.
- **Human Resources:** The workforce is fundamental to the success of any organization.
- **Physical and Technical Resources:** Assets and technical expertise available to the company.

5-2) External Environment

The external environment is further divided into micro and macro components, influencing the company from outside its boundaries.

5-2-1) Microenvironment:

The microenvironment consists of immediate external factors that influence the company. The microenvironment includes:

- **Competitors:** Rival businesses targeting the same market and resources.
- **Suppliers:** Sources providing essential resources for the company's products and operations.
- **Partners:** Collaborative entities aiding in customer service, such as consultancy firms, advertising agencies, etc.
- **Public:** Entities capable of influencing the company's customer service.
- **Customers:** The target audience from whom the company generates revenue in exchange for products or services.
- **Media:** Platforms used for marketing and communication.
- **Intermediaries:** Groups facilitating the transfer of products or services to customers.

5-2-2) Macro Environment:

The macro environment exerts significant influence on businesses, impacting entire industries. It includes:

- **Economic Factors:** Indicators like GDP growth, exchange rates, inflation, and interest rates reflecting the country's economic health.
- **Technological Factors:** Advancements altering business operations, such as computerization and automated processes.
- **Environmental Factors:** Elements like climate, weather changes, and environmental policies impacting business activities.
- **Political Factors:** Government policies, law, and order situations influencing the business landscape.
- **Social Factors:** Population growth rate, health awareness, education levels, and societal trends shaping market demands.
- **Legal Factors:** Industry-specific laws and regulations governing business practices.

Conclusion

In conclusion, an enterprise is an autonomous economic unit aimed at producing goods or services for the market. Its structure and purpose vary based on the type of business, ranging from corporations to startups and non-profits.

The business environment, both internal and external, plays a critical role in shaping how enterprises operate. Internal factors, such as organizational beliefs and human resources, are within a company's control, while external factors, including economic, political, and technological influences, require constant adaptation.

The dynamic and multifaceted nature of the business environment presents both opportunities and challenges, necessitating strategic planning and analysis.

SUMMARY

1- Enterprise:

An autonomous economic unit that produces goods or services for the market. It can take various forms, such as companies, corporations, non-profits, and startups.

2- Business Environment:

A mix of internal and external factors affecting a company's operations, including employees, technology, and market trends.

3- Key Features:

- a) **Dynamic:** Constantly changing due to market trends and policies.
- b) **Complex:** Comprises multiple interrelated factors.
- c) **Uncertainty:** Unpredictable changes impact business planning.
- d) **Global Influence:** Businesses are affected by both local and global factors.

4- Components of Business Environment :

4-1) Internal Environment:

Includes factors like organizational beliefs, structure, and human resources, which are within the company's control.

4-2) External Environment: Divided into :

- a) micro (competitors, suppliers, customers) and
- b) macro (economic, political, and technological) factors that influence the company from outside

GLOSSARY

English	Arabic
Environment	البيئة
Firms	الشركات
Entreprise	مؤسسة
Inputs	مدخلات
Outputs	مخرجات
Goods & services	سلع وخدمات
stakeholders	أصحاب المصلحة
Shareholders	المساهمون
Consumers	المستهلكون
Suppliers	الموردون
Market	السوق
Autonomous	مستقل (ة)
Company	شركة
Corporation	شركة (شركة كبرى عادة)
Organization	منظمة
Institution	مؤسسة
Business	أعمال
Non-profit	منظمة غير ربحية
Establishemnt	منشأة
Strtup	مؤسسة ناشئة
Sole Proprietorship	ملكية فردية
Partnership	شراكة
Holding Company	شركة قابضة
Foundation	مؤسسة
Internal	داخلي
External	خارجي
Owners	الملاك
Dynamic	حيوي
Complexity	التعقيد
Interdependence	الترابط

Uncertainty	عدم اليقين / عدم التأكد
Multifaceted	متعدد الجوانب / متعدد الأوجه
Global Influence	التأثير العالمي
Relative Impact	التأثير النسبي
Opportunities and Threats	الفرص والتهديدات
Competitors	المنافسون
Partners	الشركاء
Public	الجمهور
Intermediaries	الوسطاء
Microenvironment	البيئة الجزئية
Macro Environment	البيئة الكلية
Economic Factors	العوامل الاقتصادية
Technological Factors	العوامل التكنولوجية
Environmental Factors	العوامل البيئية
Political Factors	العوامل السياسية
Social Factors	العوامل الاجتماعية
Legal Factors	العوامل القانونية
GDP (G ross D omestic P roduct)	الناتج الداخلي الخام / الناتج المحلي الإجمالي
Inflation	التضخم
Exchange rates	أسعار الصرف
Government policies	السياسات الحكومية