

How to Assess your Business Environment

What is the business environment?

The business environment simply refers to the internal and external factors that influence the growth, performance, and outcomes of a business. Internal environmental factors exist within the business and can be controlled, while external environmental factors exist outside of the business and are more difficult to predict and control.

Framework to assess your business environment

As the business environment changes continuously, it is important to identify those factors within the environment of your business that have an impact on your ability to operate, assess the impact, and develop a strategy to mitigate and/or capitalize on these factors. We will discuss three key frameworks for assessing your business environment.

Framework for Internal Assessment

SWOT Analysis: this is a framework used to evaluate a company's competitive position and to develop its strategic plans. The SWOT analysis helps organizations identify their strengths, weaknesses, opportunities, and threats to develop strategies to minimize weaknesses and threats while maximizing strengths and opportunities. The SWOT analysis is versatile as it supports both internal and external assessments.

Strengths (internal, positive factors)

These are the attributes and resources of your business that distinguishes it from its competitors

Weaknesses (internal, negative factors)

Weaknesses are aspects of your business that put you at a competitive disadvantage and must be improved in order for you to stay relevant in the market

Opportunities (external, positive factors)

These are favorable external factors that your business can leverage for increased benefits

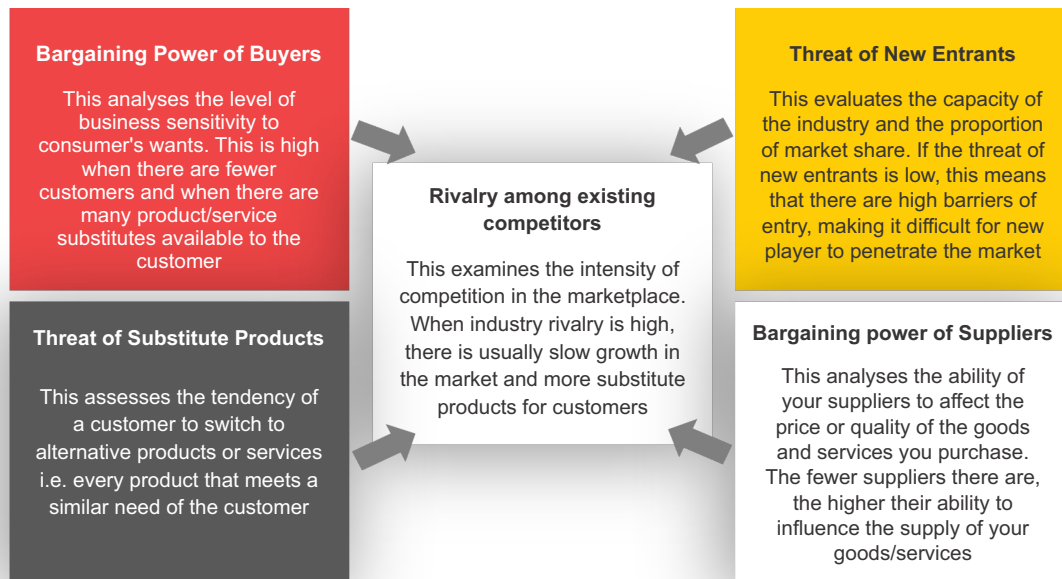
Threats (external, negative factors)

These are elements in the external environment that can affect your business negatively and puts the business at risk

SWOT Analysis

1. Porter's Five Forces:

This framework is used to assess the competitiveness of the business industry and to determine the business strategy. You can use this framework to assess the competitiveness of your business industry and discover how changes to any of the factors in each force could affect business strategy and operations. As an SME, this is a vital tool for evaluating the strength of your business in relation to the industry and offers the opportunity to identify opportunities that could increase the competitiveness of your business.



2. PESTLE Analysis:

This framework is used to evaluate the key external environment of a business by categorizing the opportunities and risks into Political, Economic, Social, Technological, Environmental, and Legal factors. Based on the current and future state of these factors, businesses can decide if the business environment will be favorable for business operation.

Political	This examines the extent to which government policies and actions may influence the economy or your industry, and how these factors may affect your business e.g. tariffs, tax policy and trade restrictions
Economic	This examines the economic environment and how various aspects can impact your business e.g. economic growth/decline, unemployment and inflation rate
Social	This considers social elements such as norms, trends, culture and demographic attributes that may influence customer behavior and the industry e.g. age distribution, career attitudes and health
Technological	This examines technological trends and advancements that may affect the industry and the overall economy e.g. robotics and Artificial Intelligence (AI)
Environmental	This relates to the effect of the environment and the influence of ecological elements on the business e.g. pollution, climate change and the weather
Legal	This concerns the laws and regulations that your businesses is expected to adhere to, within the economy it operates in e.g. industry regulations, licences and permits, and quotas