

Relation between Business Environment and Strategic Management

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INTRODUCTION

The corporate world operates in a social environment, much like people do. Businesses must navigate a wide range of relevant environments in order to operate effectively. The way the company interacts with its surroundings determines how well it does. A company is doomed to slowly vanish into obscurity if it consistently shows no inclination to adapt to significant environmental changes. Businesses must not only be aware of the various environmental factors in order to be successful, but also respect, adapt to, or otherwise control these factors. To survive and grow, the company must constantly assess its environment and adjust.

Business is an organization or enterprise engaged in producing goods and services for profit motive. It is a collective effort where a firm is engaged in commercial, industrial or professional activities. The main aim of business is to satisfy the needs of customers. The success of every business depends on adapting itself to the environment within which it functions. For example, with changes in the government policies, the business needs to adapt itself with the new policies. Similarly, any technological advancement may render the existing products obsolete, such as the introduction of smartphones has replaced the telephone to a greater extent. Therefore, it is very important to have a clear understanding of the basic concept of business environment and the nature of its various components.

DESCRIPTION

Relationship of business environment

Business environment is the sum of all internal and external aspects, including employees, customer wants and expectations, supply and demand, management, clients, suppliers, owners, government activities, technical advancement, social trends, market trends, and economic changes, among others. These elements have a direct or indirect impact on how a firm operates and performs its functions. The environment and circumstance of businesses or corporate entities are impacted by these aspects when they are considered collectively.

Business environment includes those external factors and institutions over which it does not have any direct control. These factors affect the functioning of an organization directly or indirectly. These include customers, competitors, suppliers, government, and the social, political, legal and technological factors, etc.

The set of external factors, such as economic factors, social factors, political and legal factors, demographic factors, and technical factors, etc., which are uncontrollable in nature and affect the business decisions of a firm, is called business environment.

Relationship of strategic management

In general sense, all businesses aim to achieve multiple objectives. A business manager identifies and sets some important objectives like survival, stability, growth, profitability and efficiency. Enterprise needs to balance these objectives. Profit is the biggest stimulus for the survival of the business and its future development. There is always a risk involved in business and profit is the reward for taking the risk. Business can be established, but it is difficult to survive in this competitive world where whole world is one market. So, it is important for business to scan the environment.

Environment refers to all external forces which affect the functioning of business. Environment factors are largely, if not totally, external and beyond the control of individual industrial enterprises and their managements. The surrounding in which business operates is called business environment.

CONCLUSION

These definitions give a clear understanding of the business environment. We can say that business environment is a combination or mixture of complex, dynamic and uncontrollable external factors within which a business is to be operated. The change in tastes and preferences of customers, introduction of new technologies, innovations, government policies, etc., all are parts of the business environment. Business needs to accept and adapt these changes promptly to survive in the market. So, it is necessary for the business to analyse the

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Received: 02-Oct-2023, Manuscript No. JHBM-23-23819; **Editor assigned:** 04-Oct-2023, PreQC No. JHBM-23-23819 (PQ); **Reviewed:** 18-Oct-2023, QC No. JHBM-23-23819; **Revised:** 25-Oct-2023, Manuscript No. JHBM-23-23819 (R); **Published:** 01-Nov-2023, DOI: 10.35248/2169-0286.23.12.051

Citation: Ingber Y (2023) Relation between Business Environment and Strategic Management. J Hotel Bus Manag. 12:051.

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business environment. Every business is surrounded by internal and external environment. Internal environment can be controlled by an organisation, like men, money, material,

machine and method, whereas external environment is uncontrollable like political conditions, technologies, legal regulations, etc.