

# **BUSINESS ENVIRONMENT: AN ENVIRONMENTAL ANALYSIS AND FORECASTING TO SAFEGUARD THE BUSINESS**

## **Abstract**

Every business face lot of challenges in its day to day actions in form of taxation, government policies, laws & legislations, internal policies, attitude of employees towards business workings and many more. These all challenges commonly we can consider as business environment. This is inseparable to business and fully dynamic in nature. Even with lot of uncertainties it is quite complex to understand these changes and challenges. Every business needs to exist in such changing scenario of influencing factors. Business environment possesses an important impact on the working of the business. Even all the decision for any business comes under the light of changing business environment. In present era continuous change in technology is also a big challenge in front of every business. A businessman who can understand well about the business environmental changes can take most suitable decisions for the growth and development of the business. Therefore environmental analysis is specifically important in every business through which every businessman makes it possible to understand the internal and external changes in the business. To safeguard the business a thoroughly study of business environment can save a business from any sudden adverse impact. In the present chapter environmental analysis along with its techniques has been discussed. SWOT analysis, trend analysis, scenario planning, PESTEL analysis and few more techniques are thoroughly mentioned in the upcoming pages. Environmental forecasting and techniques of environmental forecasting has also significantly covered in this chapter. To perform environmental analysis & forecasting few steps are required which also has been enclosed. Hence, this chapter is the combination of business environmental analysis and forecasting. Proper study of all the changing factors can make a business more vibrant on the path of growth & development.

**Keywords:** Business Environment, Environmental Analysis and Forecasting, Growth & Development.

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## **I. INTRODUCTION**

Business Environment plays a vital role in the exercises of business activities. Now in the competitive era of business, it is very necessary to understand the changing business environment for the smooth functioning of business activities as well as for the attainment of goals in an efficient manner. However, the business environment is important to understand but the fact is that it is critical to assess also. Continuous changes always take place in the form of political, social, technological, natural, economic, legal, etc on an individual or collective basis. For instance, nowadays Artificial Intelligence (AI) came into existence as a technological change in front of business organizations and is very popular also. It is a challenge for businesses to manage their functions as per the requirement of this changing scenario of technology. Otherwise, they can be behind in the race of competition or even may be problematic for their survival also. Business processes significantly change according to the changes that take place socio-economic business environment with the changing time (Sharma & Singh 2015)<sup>1</sup>. The current chapter will provide insightful knowledge of the business environment. Moreover, this chapter will also throw light on the analysis and forecasting of changing business environment. The meaning of business environment is very necessary to understand, as the further movement of the chapter depends on the understanding of the meaning. The business environment denotes the outside forces, circumstances, and conditions that stimulate the processes, policymaking, and complete enactment of business operations. The business environment includes numerous components such as political, social, economic, cultural, natural, legal, etc that influence the business operations individually and collectively. Hence, the Business environment is the combination of various forces (external and internal) in the form of political, social, economic, cultural, natural, legal, and organizational policies changes which may be a collective or individual influence on the business operation, these forces are complex and dynamic in nature as well as critical to understanding. Well-knowing and familiarizing with the business environment struck a vibrant part in the performance of the business, also accommodate knowing the strengths and weaknesses of the business and a business organization can prepare itself for the coming opportunities or threats.

## **II. ENVIRONMENTAL ANALYSIS**

Organizations must navigate a complex external environment in today's dynamic business landscape to ensure long-term success. Environmental analysis is the systematic assessment of external factors that impact businesses. It helps organizations identify trends, anticipate threats, and capitalize on opportunities. This chapter explores the importance of environmental analysis and its relevance to strategic decision-making. It introduces frameworks like PESTEL and SWOT analysis for assessing the external environment. Various methods and techniques are discussed, including market research, trend analysis, and scenario planning. With a focus on the ecological dimension, the chapter emphasizes the need for businesses to address sustainability. It explores integrating environmental factors into strategies, identifying green opportunities, and managing ecological risks. Effective environmental analysis enables businesses to adapt to market shifts, enhance operational efficiency, and foster innovation. It also helps navigate regulations and seize emerging opportunities. By proactively assessing the external environment, organizations position themselves for sustained success. This chapter comprehensively explores environmental

analysis, highlighting its significance and offering practical insights for thriving in the ever-changing business landscape.

### **Techniques for Environmental Analysis**

The followings are the techniques of environmental analysis.

- 1. PESTEL Analysis:** PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) analysis is a framework that helps assess the macro-environmental factors impacting a business. It involves systematically analyzing the political, economic, social, technological, environmental, and legal dimensions to identify opportunities and threats.
- 2. SWOT Analysis:** SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is a technique that evaluates both internal and external factors. It helps businesses identify their strengths and weaknesses internally, while also assessing the opportunities and threats present in the external environment. This analysis aids in strategic decision-making and developing action plans.
- 3. Market Research:** Market research involves gathering and analyzing data about customers, competitors, and the overall market. It helps businesses understand customer preferences, industry trends, and competitive dynamics. Market research techniques include surveys, focus groups, interviews, and data analysis to uncover valuable insights.
- 4. Trend Analysis:** Trend analysis involves identifying and monitoring patterns and trends in the external environment. This technique allows businesses to anticipate changes and potential future developments. By tracking technological advancements, social shifts, consumer behaviour, and industry trends, organizations can adapt their strategies accordingly.
- 5. Scenario Planning:** Scenario planning involves creating multiple future scenarios based on different combinations of external factors. It helps businesses anticipate various plausible futures and prepare strategies accordingly. By considering different scenarios, organizations can develop flexible plans that can adapt to different potential outcomes.
- 6. Competitive Intelligence:** Competitive intelligence involves gathering information about competitors and their strategies. This technique helps businesses understand the competitive landscape, assess market positioning, and identify areas of opportunity or vulnerability. Competitive intelligence techniques include gathering publicly available data, monitoring competitor activities, and conducting benchmarking exercises.
- 7. Stakeholder Mapping:** Stakeholder mapping identifies and analyzes key stakeholders who may impact or be impacted by the business. It helps businesses understand the interests, concerns, and influence of various stakeholders, such as customers, suppliers, government entities, and community groups. This technique aids in anticipating stakeholder needs and aligning business strategies accordingly.

8. **Environmental Scanning:** Environmental scanning involves systematically monitoring the external environment for relevant information and changes. This technique includes monitoring news, industry publications, social media, regulatory updates, and market reports to stay informed about external factors that may impact the business.

### III. ENVIRONMENTAL FORECASTING

Environmental forecasting plays a vital role to access and analyze the changing scenario of the business environment and to cope up with the same by the corporate units. Forecasting may enable the adoption of changes in advance for smooth functioning and progress. In the present competitive and globalized era of business, it is more important to make a business ready for facing the dynamic challenges as well as to deal with them also. Environmental forecasting involves various techniques which enable the identification, understanding, and analysis of the business environment and take some prior steps by the corporate units to face and manage the environmental transformation for the successful operation of various business activities.

**Techniques for Environmental Forecasting:** For environmental forecasting, qualitative and quantitative techniques are to be used. The followings are the techniques of environmental forecasting.

1. **Judgement Models:** In this technique, a group of specialized people of some particular area/fields are involved. The suggestions of these specialized individuals are taken for performing the forecasting activity. The Delphi method is a polished version of this technique.
2. **Delphi Method:** In this method, an expert panel is formed and suggestions of every member are together on the basis of a questionnaire or interview method, then after the suggestions of all the panel experts are compiled. A compiled document was distributed among all the members intended for their remarks. The above-said process may be repetitive unless the consent of all the experts has not come to a common point.
3. **Brain Storming:** This is a creative technique of forecasting, based on the generation of new ideas. At first, in this method, a team of specialized individuals are motivated to form new ideas. Then secondly, wide discussion takes place on the idea to make forecasts about the future. In the technological forecast, this technique is very popular.
4. **Strategic Analysis:** This technique is useful to evaluate incipient business environmental problems. This involves an orderly observation of various environmental changes such as legal, social, political, and economic along with the identification of the influences made by these factors on the progress of a business unit.
5. **Econometric Technique:** This is a quantitative technique to forecast the business environment. Under this technique, the cause-and-effect relationship between two or more variables is retrieved by using econometric tools such as correlation and regression. This technique helps to know and forecast the impact of changes on corporate progress.

6. **Scenario Forecasting:** When various variables are involved and it is problematic to judge about future precisely then various alternatives are formed by using this technique to deal with upcoming changes in a business environment. When multifaceted incidence happens then this technique plays a vital role.

#### IV. PROCESS FOR ENVIRONMENTAL ANALYSIS AND FORECASTING

**Step 1: Define the Scope and Objectives:** Clearly define the scope of your environmental analysis. Determine the specific aspects of the external environment that are most relevant to your business. Set clear objectives for the analysis, such as identifying opportunities, anticipating threats, or addressing sustainability challenges.

**Step 2: Identify Key External Factors:** Identify and categorize the key external factors that can impact your business. These may include political, economic, social, technological, environmental, and legal factors (commonly known as PESTEL analysis). Additionally, consider industry-specific factors that may be relevant to your business.

**Step 3: Gather Information and Data:** Collect relevant information and data on the identified external factors. Conduct market research, review industry reports, analyze economic indicators, and monitor social and technological trends. Utilize both primary and secondary sources to gather comprehensive and reliable data.

**Step 4: Assess Impact and Relevance:** Analyze the gathered information to assess the impact and relevance of each external factor on your business. Evaluate the potential consequences of these factors on your operations, strategies, customers, and stakeholders. Prioritize the factors that have the highest potential impact.

**Step 5: SWOT Analysis** Perform a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) based on the findings from the environmental analysis. Assess your internal strengths and weaknesses in relation to the external factors identified. Identify opportunities that can be leveraged and potential threats that need to be mitigated.

**Step 6: Scenario Planning:** Utilize scenario planning to explore potential future scenarios based on different combinations of external factors. Develop plausible scenarios to understand the range of possibilities and their implications for your business. This helps in strategic decision-making and preparing contingency plans.

**Step 7: Identify Opportunities and Mitigate Risks:** Based on the analysis, identify opportunities that align with your business objectives and strengths. Explore ways to leverage emerging trends and capitalize on market shifts. Simultaneously, develop strategies to mitigate risks and challenges posed by the external environment.

**Step 8: Monitor and Update:** Environmental analysis is an ongoing process. Continuously monitor the external environment and update your analysis regularly. Stay informed about new developments, emerging trends, and regulatory changes that may impact your business. Adapt your strategies accordingly to remain competitive.

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