

# THE BUSINESS ENVIRONMENT

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# INTRODUCTION

Organizations must adapt internally as quickly as changes occur in the external business environment. Today's environment is complex and unpredictable, so studying and understanding it is crucial for organizations to survive, cope, and prosper.

# THE LOCAL BUSINESS ENVIRONMENT

## 1. Definition and Context of Local Business

Local businesses are influenced by specific local conditions (market, consumer behavior, resources) but also operate within the broader economic and regulatory context.

Success depends on competing for employees, suppliers, customers, and creating a value proposition better than local competitors.

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## 2.External Factors:

Economy-wide sentiment, consumer spending, capital access, ability to lease space/equipment, weather, and regulatory environment.

Many of these factors are beyond local business control but impact profitability and sustainability.Factors Affecting Local Business Success

## Internal Factors:

Effective management, business intelligence, understanding local consumer values, proper pricing, inventory, and marketing strategies.

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## 3..Economic Freedom and Business Climate

The Philippines ranks low in the Heritage Foundation Index of Economic Freedom (138/185 in 2013) but shows improvement in later years (95/188 in 2014 in World Bank data).

Key obstacles for firms include informal sector competition, limited access to finance, and high tax rates.

Only about 33.2% of firms have credit or loans compared to higher regional/global averages.

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## 4.Foreign Investment Restrictions

The Philippines limits foreign equity ownership in several sectors, especially primary and service industries.

Foreign capital in mining, oil, and gas is capped at 40% unless under a government-approved financial/technical assistance agreement.

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## 5. Overall Economic Freedom

The Philippines' economic freedom score is 57.1 (2012), ranking it 107th globally.

Significant improvements in business freedom noted; ranks 19th out of 41 Asia Pacific countries, slightly below world/regional averages.



# THE INTERNATIONAL BUSINESS ENVIRONMENT

The international business environment involves economic and political conditions in other countries that affect business operations. Countries differ in ease of doing business, as shown by rankings and key indicators from Doing Business 2015 for the US, Singapore, Japan, China, and the Philippines.

# THE ROLE OF BUSINESS IN RELATION TO THE ECONOMY

Business plays a vital role in the economy by producing goods and services efficiently, using resources like materials, labor, and equipment. It enables consumers to enjoy a variety of products, improves living standards, and encourages competition, which drives better quality and innovation.

# THE DIFFERENT PHASES OF ECONOMIC DEVELOPMENT

1. Malthusian – Population grows faster than resources, causing poverty and collapse.

2. Government-led – Initiatives or programs driven by the government.

3. A la Kuznets – U-shaped relationship between economic growth and factors like inequality or environment.

4. Human capital-based – Value of skills, knowledge, and health in economic productivity.

5. Post-demographic transition – Final stage with low birth and death rates, and minimal or negative population growth.

THANK YOU