

# Foundation Studies

# Business Environments

**Self  
Study**

## Unit 0

Introduction to the Business Environments

Lecturer:

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# Overview

- Introduction to the Business Environments
  - Overview of the business environments
  - Key components of the business environments
- Importance of Understanding the Business Environments
  - Reasons for studying the business environments
  - Impact on business strategy and operations

# **Introduction to the Business Environments**



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# Overview of the Business Environments

- Businesses operate in a dynamic environment that directly influences their operations and objectives.
- Understanding the importance of understanding the **multiple dimensions** of the business environment for today's business students.
- The business environments encompass all external and internal factors that affect a company's operations.
- External environment: Factors outside the organisation that can impact its performance (e.g., economic conditions, regulations, technological advancements).
- Internal environment: Factors within the organisation that affect its functioning (e.g., company culture, internal policies, management structure).

# The Internal Environment of Business

- Business owners and managers have significant control over the internal environment of business, which includes day-to-day decisions.
  - Examples of control over the internal environment: choice of supplies, hiring decisions, product selection, and sales locations.

# The External Environment of Business

- External environmental conditions generally change constantly and are beyond the control of management.
- The external business environment is composed of numerous outside organizations and forces.
- Major sectors of the external environment: Economic, Political and Legal, Technological, and Sustainability.
- Each sector presents unique challenges and opportunities for businesses.
- To compete successfully, business owners and managers must continuously study the environment and adapt their businesses accordingly.

# Impact of Natural Disasters on Businesses

- Natural disasters, such as the Black Summer bushfires, can have a significant impact on businesses.
- These events can affect the environment, businesses, tourism, and people's livelihoods for extended periods.
- The Black Summer bushfires burned an estimated 18.6 million hectares, destroyed over 5,900 buildings and killed at least 34 people. The economic cost of the bushfires is estimated to be over AUD \$103 billion, making it Australia's costliest natural disaster to date.
- The long-term consequences of such disasters can be uncertain and recovery can be slow – recovery of communities and ecosystems.



[Picture Source](#)

# The COVID-19 Pandemic and Its Impact on Business

- Multiple waves of infections and the emergence of COVID-19 variants.
- The COVID-19 pandemic has caused significant disruptions to global supply chains.
  - Resulted from factors such as factory shutdowns, changes in consumer demand, and restrictions on trade and movement.
- Businesses have had to adapt quickly to these changes.
- The pandemic has highlighted the importance of supply chain resilience and the need for businesses to have contingency plans in place.
- Some businesses have also found opportunities in the crisis, such as the chance to reassess their supply chain strategies, improve efficiency, and build stronger relationships with suppliers.



# Key Components of the Business Environment

- Economic Environment
- Technological Environment
- Political Environment
- Legal Environment
- Sustainability Environment

# Economic Environment

- Fluctuations in the level of economic activity create business cycles that affect businesses and individuals.
- During periods of economic growth, unemployment rates are low, and income levels rise.
- Inflation and interest rates (monetary policies) change according to economic activity.
- Governments use fiscal policies, such as taxes and government spending, to stimulate or curb the level of economic activity.
- The forces of supply and demand determine how prices and quantities of goods and services behave in a free market.
- *The economic environment is covered in the Economics course.*

# Technological Environment

- Technology, the application of science and engineering skills and knowledge, can stimulate growth under any economic system.
- New equipment and software that improve productivity and reduce costs can be among a company's most valuable assets.
  - Productivity is defined as the amount of goods and services one worker can produce.
  - A nation's ability to maintain and build wealth depends largely on the speed and effectiveness with which it uses technology.
- Technology is used to invent and adapt more efficient equipment, improve manufacturing productivity, develop new products, and process information.
- The argument is that in the long run, permanent growth is only achieved by technological progress.
- Many businesses use technology to create change, improve efficiencies, and streamline operations.
- *The technological environment is not covered in this course. It is mentioned in the Sustainability Environment in this course.*

# Political Environment

- The political environment provide businesses with an understanding of how political and legal systems shape the business landscape.
- The structure and function of government can impact business operations through laws and regulations.
- Political decisions, policies, and governance can influence the business environment.
- The amount of government activity, the types of laws it passes, and the general political stability of a government are key components of the political climate.
- For example, in Australia, the government passed laws to change to plain packaging of cigarettes.
- *The Australian government/political environment is covered in Unit 1 in this course.*

# ***Tobacco Plain Packaging Act***

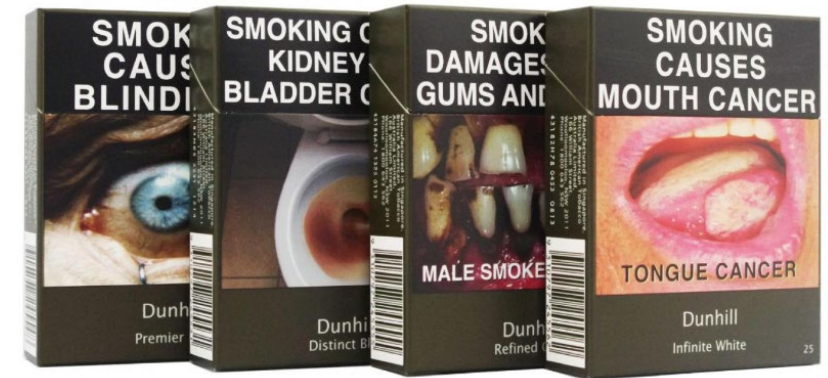
In Australia, the government enacted the *Tobacco Plain Packaging Act* in 2011. This legislation made Australia the first country in the world to require tobacco products to be sold in plain packaging.

The law applies to anyone who sells, offers to sell, supplies, packages, or manufactures tobacco products in Australia.

Under the plain packaging laws, all tobacco products must:

- Be packaged in a certain colour
- Display brand names in certain ways
- Display the required text and graphic health warnings
- Not display logos, brand images, or promotional text

This is an example of how government regulations can directly impact business operations and public health. It also underscores the importance for businesses to stay informed about changes in the legal and regulatory environment in which they operate.



[Picture Source](#)



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# Legal Environment

- The legal environment of business refers to the legal system, framework of laws, regulations, and legal principles that govern and impact business activities.
- The legal environment of business is composed of laws that come from various sources.
- This environment is influenced by the needs and demands of the business community, consumers, and government.
- Understanding regulations helps businesses adapt to legal challenges.
- It's crucial for businesses to stay informed about changes in the legal and regulatory environment in which they operate. Understanding the legal environment helps businesses avoid problems, maintain reputation, and make informed decisions.
- *The Australian legal environment for business is covered in Units 2 to 8 in this course.*

# Sustainability Environment

- Sustainability is the main overarching theme in assessing the broad dimensions of the business environment.
- In today's world, threats can emerge quickly and spread rapidly, as exemplified by the COVID-19 pandemic.
- Sustainability rests on the principle that we should not jeopardise the ability of future generations to fulfill their needs through our current actions.
- While often associated with environmental conservation, sustainability is much broader, encompassing all aspects of the business environment, including human rights and societies.
- The principle of sustainability encourages businesses to consider a broad range of stakeholders, both present and future.
- Sustainability requires changes towards a better, cleaner, more ethical way of doing things.
- Governments and regulators play crucial roles in implementing policies and laws that can make a lasting difference.
- *The sustainability environment for business is covered in Units 9 to 11 in this course.*

# **Importance of Understanding the Business Environments**





# The Business Environments Course

- The Business Environments course provides an overview of the dynamic and multifaceted contexts in which businesses operate. It begins with an introduction to the key components of the business environment and the importance of understanding how these elements influence business strategy and operations.
- The course is structured into three main parts: the Australian Government Environment, the Legal Environment for Business, and the Sustainability Environment for Businesses.
  - In Part 1, students explore the foundations of Australian democracy, the legal framework established by the Australian Constitution, and the division and separation of powers.
  - Part 2 explores into the Australian legal system, the significance of business structures, and key legal principles, including contract law, tort law, and consumer protection.
  - Part 3 focuses on sustainability, examining the environmental, social, and economic pillars of sustainability, and exploring topics such as climate change, environmental management, ethics, and corporate social responsibility (CSR).

# Reasons for Studying the Business Environment

- By integrating legal, environmental, and ethical perspectives, this course equips students with the knowledge and skills to navigate and make informed decisions within complex business environments.
  - Understanding the business environment can help businesses identify opportunities and threats
  - Compliance with laws and regulations
  - Informed decision making
  - Identifying trends and patterns
  - Help businesses adapt to changes and disruptions

# End of Reading

First lecture next week:

The Australian Government Environment: The Australian Legal Foundation



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