

# ***INTRODUCTION TO BUSINESS ENVIRONMENT***



# General Introduction to the Course

- **Course Code:** BS / BSP 153
- **Course Name:** Business Environment
- **Groups:** All **FIRST YEARS** in **BBA/BAC/MKT, HRM, Purchasing and Supply (PS), Transport and Logistics, Public Procurement, Hospitality, and SICT** Programmes
- **Class Times:** Mon. 16hrs – 18hrs & Thur. 14hrs – 16hrs
- **Lecturer:** Mr. Justice Bwalya and Mr. Kavunga Daka
- **Office:** Office # 10, Business Admin. & Marketing Dept.

# Objectives:

- At the end of this unit, you will be able to....
- ...define the business environment as well as its components
- ...discuss the influence of both the internal and external environments on business
- ...understand the meaning of business as well as the various types of business
- ...define businesses systems as well as the role they play in the society

# Readings for Unit:

- Worthington, et al. (2018) – Chapter One

# Introduction to Business Environment

- What is a *business*?
- “...an individual or a group of people that collaborate to achieve commercial goals”
- “...is nothing more than a person or group of persons properly organized to produce or distribute goods or services”
- “is a coordinated activity aimed at wealth creation”
- The study of business involves looking at the production or distribution of goods and services—buying, selling, financing, personnel and the like.

# Business as a System

- *A system is conventionally defined as a collection or group of units or elements interacting together to achieve a common purpose*
- Units or components of a system can be anything e.g. wires, computers, people etc.
- Two types of systems are common; *open and closed systems*
- *Open System*: a system that interrelates with other systems or the outside environment
- *Closed System*: a self-sustaining system that has relatively little interrelations or contacts with the outside environment

# Business as a System *cont/d*

- Businesses usually extract raw materials from the environment, transform the inputs and produce outputs
- A business is thus viewed as an *open system* because of its interactions with the environment
- Minus these interactions, or dependency on the external environment, businesses can not function properly

# Role of a Business in a Society

- To contribute to the wealth creation of the society and the country in general
- To bring about innovative products for the benefit of the society
- To contribute to competition
- To encourage entrepreneurship
- To facilitate interaction of people socially



# Meaning of Business Environment

- *... refers to the controllable and uncontrollable factors which can lead to threats and opportunities of the organization*
- *... refers to all forces which have a bearing on the functioning of the business*
- *e.g. people, other organizations, regulatory agencies, etc.*

# Types of Business Environments

- **External Environment** – consists of all those forces outside the organisation that have an influence on the business
- **Internal Environment** – the elements inside an organisation that have a bearing on the functioning of that organisation

# The External Environment

- **General Layer** – *those nonspecific, complex and unpredictable forces that are not usually under the control of an organisation.*
- *\*also known as the macro-environment*
- E.g. technology, politics, culture, economy, etc.
- **Task Layer** – *specific organisations or groups likely to influence the organisation*
- *\*also known as the micro-environment, operations environment*
- E.g. competitors, suppliers, customers, etc.

# Components of the General Layer

- **Political / Legal Forces** – provides the rules of doing business and also affects business atmosphere
- **Economic Forces** – forces or conditions that affect how consumers decide to spend as well how organizations deploy available resources
- **Technological Forces** – refer knowledge, tools, techniques, and actions used to transform material, information, and other inputs into finished goods and services

# Components of the General Layer *cont/d*

- **Social - Cultural forces** - concerns the shared characteristics, values, and beliefs of a group that distinguishes them from another group e.g. religion, language, and heritage
- **Ecological Forces** – includes the forces to do with the resources from the natural environment, pollution issues, etc.
- **International Forces** – the happenings in other parts of the world that can influence the operations of business, e.g. economic activities, war etc.

# Components of the Task Layer

- **Competitors** – other organisations that are in rivalry with the firm for its resources (including customers)
- **Customers** – individuals or organisations that buy the firm's output (products/services)
- **Suppliers** – individuals or organisations that provide resources that are used as inputs (raw materials) in production
- **Regulators** - have the potential to control, regulate, or influence an organisation's policies and practices e.g. Govt agencies, interest groups etc

# Components of the Task Layer *cont/d*

- **External Labour** – recognised labour unions outside the organisation that represent the employees may affect business
- **Owners** – these are the shareholders that provide capital for the organisations
- **Strategic Allies** – other organisations that partner with the firm to benefit from pool of resources. E.g. joint ventures, beforward vs Zanaco, etc

# The Internal Environment

- **Board of Directors** - elected by the stockholders and is charged with overseeing the general management of the firm
- **Employee** – all the other workforce that discharge the various tasks in the firm
- **Culture** - set of values that help its members understand what the organization stands for, how it does things and what it considers important



# Types of Business Organisations

- Sole Proprietor
- Partnership
- Corporation
- Joint Venture and
- Cooperative

# Sole Proprietorship

- ... a business owned and run by one person who is responsible for the firm's debts
- e.g. a person operating a grocery store single handedly

# Sole Proprietorship *cont/d*

## ☐ Advantages

- Enjoys freedom
- Easy to form
- Low start-up capital, costs
- Speedy decision making

## ☐ Disadvantages

- Suffers Unlimited liability
- Lacks continuity
- Difficult to borrow money
- Limited expertise, can make wrong decisions

# Partnership

- ... a business owned and run by two or more persons who are responsible for the firm's financial responsibility
- partners contribute equal or unequal sums of money (*see limited partnerships*)
- e.g. legal firms, accounting firms, architectural firms operate as partnerships

# Partnership *cont/d*

## ❑ Advantages

- Pool of talent and resources
- Easy to borrow funds
- Easy to form

## ❑ Disadvantages

- Suffers Unlimited liability
- Lacks continuity
- Difficult to borrow money
- Decision making is done by mutual consent
- Conflicts may arise between partners

# Corporation

- ... a legal business entity, created by law and managed through a board of directors who are responsible to stockholders for appointing and directing operating officers
- *Private Corporations* – sell shares to a few individuals
- *Public Corporations* – sell shares to the public
- e.g. ZESCO, ZNBC, Coca-cola company, FedEx, G4S, etc.

# Corporation *cont/d*

## ☐ Advantages

- Limited liability
- Continuity
- Professional management
- Easy to raise money

## ☐ Disadvantages

- Easy to transfer ownership
- Huge set-up capital required
- Double taxation on profits and dividends

# Joint Venture

- *... a partnership of two or more participating companies that have joined forces to create a separate legal entity*
- *... a business that is formed by two or more firms to allow the pool of resources for common goals*
- e.g. Sony-Ericsson, etc.



# \*Joint Venture *cont/d*

## ❑ Advantages

- Pool of resources
- Provides access to markets that may be inaccessible
- Enables parties to offer new products and services
- Cost savings e.g. ads, marketing, operating etc
- Reduced risk

## ❑ Disadvantages

- Objectives maybe conflicting
- Different cultures can create problems
- Poor tactical decision making because of role misunderstandings

# Cooperative

- ... a group of individuals or smaller businesses that join forces to act as one larger company for marketing and/or purchasing purposes
- ... profits are shared among members
- e.g. Farmers cooperative in Zambia, consumer cooperatives in retailing, etc

# \*Cooperatives *cont/d*

## ❑ Advantages

- Easy formation (comp. to corporations)
- Limited liabilities
- Continuity
- State assistance - Govt. may grant loans

## ❑ Disadvantages

- Lack of interest (no profit motive)
- Difficult to attract profit oriented members
- Conflicts among members likely
- All members have one vote regardless of level of investment

# Summary (1)

- Business activity is essentially concerned with transforming inputs into outputs for consumption purposes.
- A system is conventionally defined as a collection or group of units or elements interacting together to achieve a common purpose
- Businesses operate as open systems as they interact with the external environment
- Business Environment refers to the controllable and uncontrollable factors which can lead to threats and opportunities for the organization

# Summary (2)

- Business Environment involves the general layer and the task layer which influence the operations of a business
- The operational environment of business is concerned with such factors as customers, suppliers, creditors, and competitors.
- The general environment focuses on what are known as the PESTLE factors.
- The most common business types are Sole Proprietor, Partnership, Corporation, Joint Venture, and Cooperative
- Businesses play an important role in society in creating wealth both for the society and the country at large

# Questions ???

