

# Applied Economics

SENIOR  
HIGH  
SCHOOL

Self-Learning  
Module

1

Quarter 4

## Business Environment



ACCOUNTANCY, BUSINESS AND MANAGEMENT



**Applied Economics**  
**Quarter 4 – Self-Learning Module 1: Business Environment**  
**First Edition, 2020**

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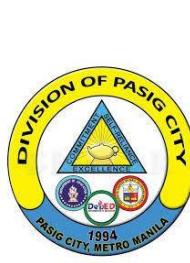
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## Introductory Message

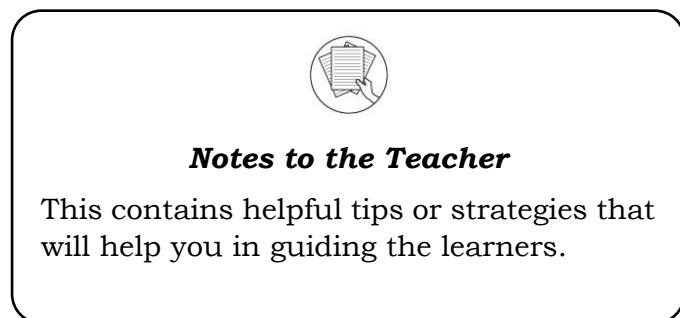
For the facilitator:

Welcome to the Senior High School – Applied Economics Self Learning Module on Business Environment!

This Self-Learning Module was collaboratively designed, developed and reviewed by educators from the Schools Division Office of Pasig City headed by its Officer-in-Charge Schools Division Superintendent, Ma. Evalou Concepcion A. Agustin, in partnership with the City Government of Pasig through its mayor, Honorable Victor Ma. Regis N. Sotto. The writers utilized the standards set by the K to 12 Curriculum using the Most Essential Learning Competencies (MELC) in developing this instructional resource.

This learning material hopes to engage the learners in guided and independent learning activities at their own pace and time. Further, this also aims to help learners acquire the needed 21st century skills especially the 5 Cs, namely: Communication, Collaboration, Creativity, Critical Thinking, and Character while taking into consideration their needs and circumstances.

In addition to the material in the main text, you will also see this box in the body of the module:



As a facilitator you are expected to orient the learners on how to use this module. You also need to keep track of the learners' progress while allowing them to manage their own learning. Moreover, you are expected to encourage and assist the learners as they do the tasks included in the module.

For the learner:

Welcome to the Applied Economics Self Learning Module on Business Environment!

This module was designed to provide you with fun and meaningful opportunities for guided and independent learning at your own pace and time. You will be enabled to process the contents of the learning material while being an active learner.

This module has the following parts and corresponding icons:



**Expectations** - This points to the set of knowledge and skills that you will learn after completing the module.



**Pretest** - This measures your prior knowledge about the lesson at hand.



**Recap** - This part of the module provides a review of concepts and skills that you already know about a previous lesson.



**Lesson** - This section discusses the topic in the module.



**Activities** - This is a set of activities that you need to perform.



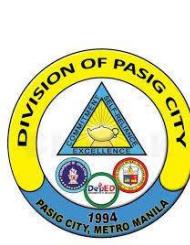
**Wrap-Up** - This section summarizes the concepts and application of the lesson.



**Valuing** - This part integrates a desirable moral value in the lesson.



**Posttest** - This measures how much you have learned from the entire module.





## EXPECTATIONS

After going through this module, you are expected to:

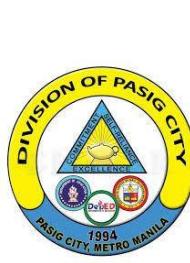
1. define environmental scanning;
2. differentiate internal and external environment; and
3. discuss the micro and macro environment factors.



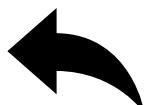
## PRETEST

Directions: Read each statement carefully. Choose the letter of the best answer and write it on a separate sheet of paper.

1. It is a process of identifying the internal and external elements that affect the organization's performance.
  - A. Business Analysis
  - B. Business Environment
  - C. Environmental Analysis
  - D. Environmental Scanning
2. It includes all internal and external factors that affect the performance of the company.
  - A. Environmental Analysis
  - B. Environmental Scanning
  - C. Business Analysis
  - D. Business Environment
3. These factors are controllable by the management.
  - A. Micro Environment
  - B. Macro Environment
  - C. Internal Environment
  - D. External Environment



4. These factors are beyond the control of the management however, have a great impact on the performance, decision making, and strategy of the business.
  - A. External Environment
  - B. Internal Environment
  - C. Macro Environment
  - D. Micro Environment
5. It is a strategic tool to identify the external and internal environment.
  - A. Environmental Analysis
  - B. Environmental Scanning
  - C. Business Analysis
  - D. Business Environment



## RECAP

Directions: Describe the effects of taxation on income, indirect tax, and inflation.

1. \_\_\_\_\_.
2. \_\_\_\_\_.
3. \_\_\_\_\_.



## LESSON

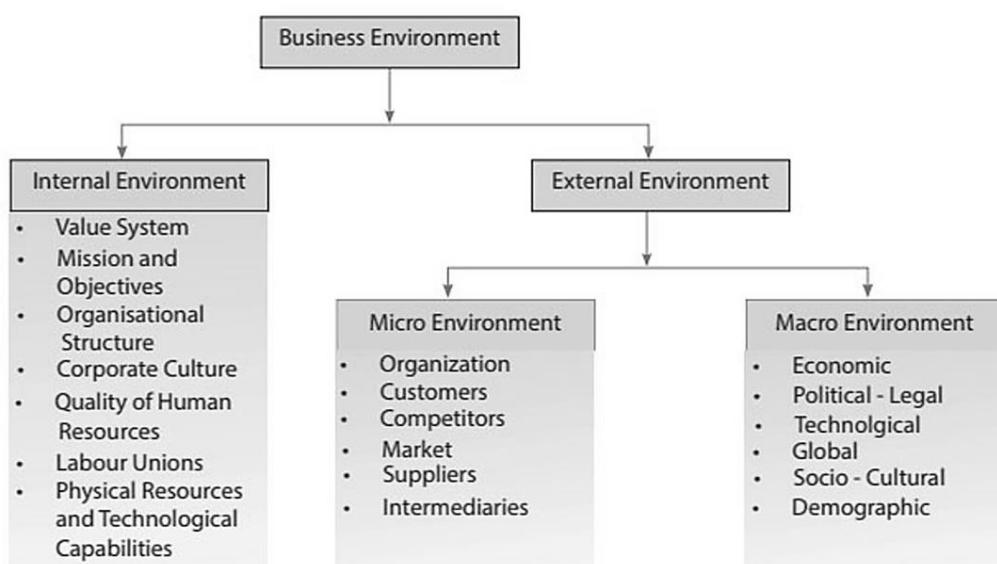
### Business Environment

It includes all internal and external factors that affect the company's performance and functions. It includes employees, customers, management, supply and demand, business regulations, and competition.



Every business organization has an internal and external environment. For the organization to be successful, it is important to study its environment regularly. This is to assess any developments and understand factors that can contribute to its success.

*Environmental scanning* is a process used by organizations to monitor their external and internal environments. The purpose of the scan is to identify the opportunities and threats affecting the business. As a part of the environmental scanning process, the organization collects the information regarding its environment and analyzes the impact of changes in the market. *Environmental analysis* is a strategic tool in assessing the level of threats or opportunities that might affect the business. This eventually helps the management team to make better decisions.



Source: [toppr.com](https://toppr.com)

## Internal Environment

The internal environment of the organization consists of factors that are controllable by the management. As the figure above shows, the internal environment of an organization consists of various elements like the value system, mission/vision/goals/objectives of the organization, structure, culture, quality of employees, labor unions, technological capabilities, etc. These elements lie within the organization and any changes to them can affect the overall success of the business.

## External Environment

There are two elements in the external environment: micro and macro. These environmental factors are beyond the control of the business but they still minimize the impact if the business has an effective strategic plan.



## **Micro Environment Factors**

### 1. Suppliers

Suppliers can control the success of the business when they hold power. The supplier holds the power when they are the only or the largest supplier of the goods in the market.

### 2. Resellers

Market intermediaries, middleman, or resellers have a great contribution to the delivery of products to the ultimate consumers. For example, if the reseller has a reputable name then this reputation can be leveraged in marketing the product.

### 3. Customers

A *customer* is an individual or business that purchases goods or services. Customers are important because they drive revenues. Without them, businesses have nothing to offer. Most public-facing businesses compete with other companies to attract customers, either by aggressively advertising their products or by lowering prices to expand their customer bases.

### 4. Competition

Those who sell the same or similar products and services as your organization is called *competitors*. The presence of one or more competitors can reduce the prices of goods and services as the companies attempt to gain a larger market share.

## **Macro Environment Factors**

### 1. Political factors

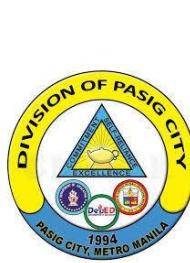
These are about how and to what degree a government intervenes in the economy. It includes government policy, political stability or instability in overseas markets, foreign trade policy, tax policy, labor law, environmental law, and trade restrictions.

### 2. Economic factors

Economic factors have a significant impact on how an organization does business and also how it is profitable. These factors include economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses.

### 3. Social Factors

These include the shared belief and attitudes of the population. These factors are population growth, age distribution, health consciousness, career, attitudes and so on.



#### 4. Technological Factors

Technological factors affect the management and marketing in three ways: new ways of producing goods and services, new ways of distributing goods and services, and new ways of communicating with target markets.

#### 5. Environmental Factors

These factors have become important due to the increasing scarcity of raw materials, pollution targets, doing business as an ethical and sustainable company.

#### 6. Legal Factors

It includes health and safety, equal opportunities, advertising standards, consumer rights and laws, product labeling, and product safety. It is clear that companies need to know what is and what is not legal in order to trade successfully.



## ACTIVITIES

### Activity: Environmental Scanning

Directions: Think of one (1) business establishment nearby. Identify the micro and macro environment factors that affect the business establishment.

<b>Micro Environment Factors</b>	
1. Suppliers	
2. Resellers	
3. Customers	
4. Competitors	
<b>Macro Environment Factors</b>	
1. Political	
2. Economic	
3. Social	
4. Technological	
5. Environmental	
6. Legal	





## WRAP-UP

To summarize what you have learned in the lesson, answer the following questions:

1. What is environmental scanning?
2. What is the difference between the internal and external environments?
3. What are the micro and macro environment factors?



## VALUING

Reflect on this!

*"You cannot get through a single day without having an impact on the world around you. What you do makes a difference and you have to decide what kind of a difference you want to make."*

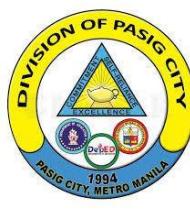
—Jane Goodall



## POSTTEST

Directions: Read each statement carefully. Write **T** if the statement is correct, otherwise write **F**.

- \_\_\_\_\_ 1. Economic factors include economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses.
- \_\_\_\_\_ 2. The presence of one or more competitors can reduce the prices of goods and services as the companies attempt to gain a larger market share.
- \_\_\_\_\_ 3. Environmental analysis is a process used by organizations to monitor their external and internal environments.
- \_\_\_\_\_ 4. A customer is an individual or business that purchases products.
- \_\_\_\_\_ 5. Environmental scanning is a strategic tool in assessing the level of threat or opportunity the factors might affect the business.





## KEY TO CORRECTION

PRETEST:	1. T 2. T 3. F 4. C 5. D
POSTTEST:	1. T 2. T 3. F 4. T 5. F

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