**Define the business environment**

The business environment can and should be classified into two scales of definition. The first would be a general scale of rather broader focus, which includes PESTEL forces and how those changes affect a business. The second is more specific and closely related to operations and its immediate area, hence this scale includes affecting parties like customers, suppliers, stakeholders etc. We divide into these two parts to better analyse the environment in which a certain business is performing business activities. The business environment therefore simply represents what parties, changes or factors possibly could affect the business in question. The analysis of the environment a business operates in is essential, as changes might be of destructive, constructive or neutral nature, hence a business would try and avoid or countermeasure destructive changes and embrace, exploit constructive opportunities. The business environment heavily relies on the development of coping strategies, which as above stated, brings about capabilities to react to change.

**What differentiates the external / internal environment from each other?**

The internal environment is concerned with the organisation´s within, including employees, managers etc. Hence, the internal environment majorly focuses on how the business works in aspects of its constituent components.

The external environment on the other hand takes a look at all possible factors that could possibly interact with the organisation in question from the outside, hence including customers, suppliers, stakeholders, the government or even demographic/PESTEL factor changes.

By dividing into at least two scales, the analysis and optimisation processes can be drastically enhanced and more focused onto a specific change, depending on its nature of origin.

It is important to differentiate in these two types, as analysis and optimisation decisions will depend on the scale of evaluation. A business should be aware of from where changes occur and hence react to them in different ways. Changing the organisation´s employee structure would not be an adequate reaction as a result of an external force affecting the business.