

# What is Business Environment Analysis?

## Worksheet

Business environment analysis is the systematic study of internal factors (resources, culture, structure) and external factors (economic, social, political, technological, legal, competitive) that influence an organization's decisions and performance.

## Questions

1. Which of these is an external business environment factor?

- A) Company culture
- B) Interest rate changes
- C) Employee skills
- D) Internal policies

2. What does the 'S' in PESTEL stand for?

- A) Structural
- B) Social
- C) Strategic
- D) Statistical

3. In a SWOT analysis, which two elements are internal?

- A) Opportunities and Threats
- B) Strengths and Weaknesses
- C) Strengths and Opportunities
- D) Weaknesses and Threats

4. Why do businesses conduct environment analysis?

- A) To ignore competitors
- B) To identify opportunities and threats and adapt strategy
- C) To avoid ever changing their plans
- D) To only focus on internal finances

5. A smartphone company sees a new government tax on imported electronics. Which part of the environment is this, and how might it respond?

6. A coffee chain notices a competitor opening 20 new stores nearby. Classify the factor and outline the analysis.

7. A retailer analyzes rising consumer interest in sustainable products. What kind of factor is this and what internal changes might follow?

8. Define: What is business environment analysis?

9. Define: Name three external factors in business environment analysis.

10. Define: Name three internal factors.

## Answer Key

1. B) Interest rate changes - Interest rates are set by the economy/government, outside the company's control - an external factor.
2. B) Social - PESTEL stands for Political, Economic, Social, Technological, Environmental, and Legal factors.
3. B) Strengths and Weaknesses - Strengths and Weaknesses come from within the organization; Opportunities and Threats come from outside.
4. B) To identify opportunities and threats and adapt strategy - The purpose is to understand forces affecting the business and adjust strategy accordingly.
5. Identify factor: government tax on imports is a political/legal external factor Assess impact: import costs rise, squeezing profit margins or raising prices Internal response: the company could review its supply chain (internal factor) and consider local manufacturing Outcome: adapting internal operations to offset an external shock
6. Identify factor: increased competition is an external, competitive factor Assess impact: potential loss of market share and customer traffic Internal check: review internal strengths - brand loyalty, store locations, pricing Decision: the chain may invest in loyalty programs or renovate stores to defend its position
7. Identify factor: shifting consumer values are a social/cultural external factor Assess impact: demand grows for eco-friendly products, risk of losing customers to greener competitors Internal response: adjust internal sourcing policies and product lines (internal factor) to include sustainable options Outcome: aligning internal capabilities with an external trend to seize opportunity
8. The study of internal and external factors that affect an organization's ability to achieve its objectives.
9. Economic conditions, technological change, and competition (also social, political, legal).
10. Company resources, organizational culture, and management structure.

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