

# YOUNG ENTREPRENEURSHIP

## Module C: INTERNAL AND EXTERNAL BUSINESS ENVIRONMENT

By



## INTERNAL AND EXTERNAL BUSINESS ENVIRONMENT

The **INTERNAL** environment is the material and intangible resources of a business.

Material resources: machinery, equipment, shop, financial ability, business location, level of business integrity.

Intangible resources: reputation, employee skills, company structure, technological capacity

The **EXTERNAL** environment is what cannot be influenced by the business, but with every change that occurs in it, its operation is affected. Factors affecting the external environment are: competitors, suppliers, consumers, government bodies, other businesses, etc. Every change in the external environment can result in an **opportunity** or a **threat** to the business.

For the study and analysis of the external environment of a business , the PEST (**P**olitical, **E**conomic, **S**ocio-cultural, **T**echnological) **model** is used, which concerns:

- the political environment: legislation, licenses, space regulations, labor regulations, trade conditions, political stability, environmental protection, etc.
- the economic environment: unemployment, inflation, energy costs, disposable income.
- the socio-cultural environment: changes in demographics of the region, consumer trends, preferences, level of education, income distribution.
- the technological environment: discoveries, new product production processes, investments, etc.

Indicatively, the *shift in the way consumers buy in recent years using online services* (social and technological environment) has led many businesses to create (in addition to their physical stores) online stores and to integrate a new way of selling. In addition, some businesses do not need to have a physical store since customers can buy from them online.