

The Business Environment

Understanding Canadian Business 7th
Edition

The Business Environment

- Six elements of the business environment:
 - The Legal and regulatory environment
 - The economic environment
 - The technological environment
 - The competitive environment
 - The social environment
 - The global environment

The Legal and Regulatory Environment

1. Tax Laws
2. Contract Laws
3. Elimination of corruption

Regulations are rules or orders made by government to carry out the purposes set out in statutes.

The Economic Environment

- The economic environment looks at income, expenditures and resources that affect the cost of running a business.
- Businesses review the results of major economic indicators such as consumer spending, employment levels and productivity.
- What is one thing that affects Canada's manufacturing sector? Currency

The Technological Environment

- *Technology* refers to inventions or innovations from applied science or engineering research.
- One of the advantages of working for others is that the company often provides the tools and technology to make your job more productive.
- *Productivity* is the amount of output you generate given the amount of input.

E-commerce

- **E-commerce** is the buying and selling of goods and services over the internet.
- **E-business** refers to any information system or application that empowers business processes.
- **Identity Theft** is the act of obtaining personal information about a person, such as social insurance number and/or credit card numbers and using that information for illegal purposes.

The Competitive Environment

- Entry – In considering the competition, a firm must assess the likelihood of new entrants. Additional producers increase industry capacity and tend to lower prices.
- Powers of Buyers and Suppliers – Powerful buyers exist when they are few in number, there are low switching costs, or the product represents a significant share of the buyer's total cost.
- A supplier gains power when the product is critical to the buyer and when it has built up switching costs.

Existing Competitors and Substitutes

- Competitive pressure among existing firms depends on the rate of industry growth.
- Competing by Exceeding Customer Expectations – businesses are becoming customer driven
- Competing by Restructuring and Empowerment – Giving front-line workers the responsibility, authority and freedom to respond quickly to customer requests.

The Social Environment

Demography- is the statistical study of the human population with regard to its size, density, and other characteristics such as age, race, gender and income.

Baby-boon echo – a demographic group of Canadians that were born in the period from 1980 to 1995; the children of baby boomers

Baby boomers – a demographic group of Canadians that were born in the period from 1947-1966.

Managing Diversity

- Since 1980 Canada has welcomed 5.1 million immigrants.
- 19.8% of the entire population is made up of people born outside of Canada

The Family Portrait

- 54 % of all families in Canada are supported by two income earners.
- 42.7% families comprised of couples without children than 41.4% with children. (This was a first in the 2006 census.
- Young adults (20-29) who live at home continued to increase 43.5% compared to 32.1% two decades earlier
- Why do these changes in Demographics affect businesses?

The Global Environment

- World trade has greatly improved living standards around the world.
- Two important environmental changes in recent years have been the growth of international competition and the increase of free trade among nations.