Business Environment Analysis

There are a number of ways to analyse the business environment. Below are a number of tools you can use.

**SWOT Analysis**

List your strengths, weaknesses, opportunities and threats in each of the relevant boxes of the matrix. Then in the boxes marked **Response** explain how you will respond to each strength, weakness, opportunity and threat, and how you will offset each issue by using one of the others. For example, a strength may be that you have significant working capital, a weakness could be that you do not know much about keeping financial records. You can then use some of the working capital to employ a bookkeeper to record your financial records.

|  |  |
| --- | --- |
| ITEM | RESPONSE |
| Strengths: |  |
| Weaknesses: |  |
| Opportunities: |  |
| Threats: |  |

**Issues Analysis**

In the first column list the issues your business faces; for example, you may face strong competitors or a weak supply chain of stock. In the second column you need to explain what impact this will have on your business; for example, the competitors may engage in a price war to squeeze you out of business, or the supplier may fail to provide you with stock. In the third column you need to explain what you will do about this issue; for example, you could focus on adding value, or maintaining a higher level of reserve stock. In the final column you should write what your expected outcome of this is. For example, you will be insured against stock shortages.

|  |  |  |  |
| --- | --- | --- | --- |
| Issues | Impact | Response | Outcome |
|  |  |  |  |

**Porter’s Five Forces**

You can use this tool to identify and organize a response to the various threats and opportunities your business faces by utilising your strengths. In the first column, under each aspect write the things that affect your business. For example, your suppliers may be able to exercise greater power/control over the price of your supplies. In the second column you explain how this will affect your business. For example, this may mean that you are forced to increase your prices in a price sensitive market. In the third column you need to detail your response to this issue. For example, you may want to respond by looking for alternative products or suppliers. In the fourth column you could indicate what outcome you want. For example, you want to avoid a price war with your competitors.

|  |  |  |  |
| --- | --- | --- | --- |
| Aspect | Impact | Response | Outcome |
| Supplier Power |  |  |  |
| Buyer Power |  |  |  |
| Competitive Rivalry |  |  |  |
| Threat of Substitution |  |  |  |
| Threat of New Entry |  |  |  |

**Environment Analysis**

Understanding the environment that your business will operate in is a major contributing factor to the success of your business. This is based on a standard PESTEL analysis. Look at the factors that impact on you, some may not be relevant of have a very low impact. Even if this is the case you should still complete the form. For example if your business was something such as fashion design then there may be very low political factors that affect your business. However, if you were looking at a bio-tech business then there may be some significant political factors such as changes in regulation for this type of business. In the column titled factors you would list what factors affect your business. For example, If you were going to open a pizza shop in an area that is predominantly inhabited by Muslims, then social factors such a dietary requirements is a critical social factor.

|  |  |  |  |
| --- | --- | --- | --- |
| Aspect | Factors | Impact | Response |
| Political |  |  |  |
| Economic |  |  |  |
| Social |  |  |  |
| Environmental |  |  |  |
| Legal |  |  |  |