

EXTERNAL FACTORS AFFECTING BUSINESS PLANNING

While external factors are uncontrollable, they don't have to be unforeseeable. Here's how to find them.

It becomes more expensive to build distribution channels for companies whose target markets are geographically dispersed. In inflationary times, customers stock items to save themselves from further increase in prices and abandon their favorite brands to buy more economical brands. Social Factors: The growing senior population in the United States is interested in products it wouldn't have cared about at Cigarette manufacturers learned this lesson when public smoking was outlawed in many areas and smoking indoors has become practically nonexistent. While you may have contingency plans in place to deal with outside influences that affect your business, sometimes the best you can do is improvise when they occur. Whether it is a centralized or decentralized system, the most important thing is how effective the structure is when applied for the company. Competition can make or break you – look at how many brick-and-mortar bookstores crashed and burned competing with Amazon. If you're flush with cash, you have a lot more flexibility to grow and expand your business or endure an economic downturn. The following diagram provides examples of factors that are agents of change and need to be considered in the strategic planning process. Nestle cannot prevent these companies from doing so which is what makes this an external factor. A person may go on holidays to exotic holiday locations and may spend a fortune to travel, but may dine in very ordinary restaurants. Financial Strength Financial strength is a factor in its own right that influences the internal environment of the organisation. Other law changes that commonly affect business include Workplace Health and Safety, Industrial Relations, Consumer Protection and Environmental Law, Media The media is undergoing rapid and significant change. But this advantage is nullified if materials and components are imported from a country whose currency is stronger. PESTLE analysis focuses on six important factors which can influence business – political ones, economic ones, sociocultural ones, technological ones, legal ones, and environmental ones. Despite however good other internal factors may be, it is very difficult for an organisation that is too short of cash to implement strategies within the strategic plan. It includes your sales and marketing strategy and your projected profits. The opportunity is external, and the limits on your ability to exploit it are internal. This affects the type of agricultural implements that must be manufactured and marketed. To give a few examples, think of: how the weather might affect a food production company, how the development of technology might affect a traditional publishing company, or how the actions and success of competitors might affect any company. People above 60 People in this age group live on a steady income. For example. You can't stop your competitors from offering a better product or keep the economy from sinking into recession. Writing a Business Plan Your business plan turns dreams about the future of your company into specific written goals and projections. Social and Natural To understand more about micro and macro factors which affect your business, read our guest blog here Method of study There are many factors affecting business have been studied, among them, we provide you a deep insight of the most decisive factors, which are at the center of every business today Internal impacts The internal factors refer to anything within the company and under the control of the company no matter they are tangible or intangible. Strengths and Weaknesses are the two internal variables. These help to increase revenues and profits of companies. If customers lose their jobs or take jobs that can barely support them, they'll spend less on sports, recreation, gifts, luxury goods and new cars. Some of them live with their grown-up children and are part of their household. Writing the Plan Once you've analyzed the effect of external factors and worked out how you'll respond to them, you incorporate that material into your business plan. Demographics are significant because people constitute markets. Even in existing businesses operating costs would go up as their working capital requirements will attract higher interest rates. Finance and Credit Wall Street and the solvency of big banks and financial institutions may not seem to have much to do with your business, but eventually they may affect your ability to continue doing business. Parents may be staying with them or they may be living in different cities. To some extent, the internal environment is controllable and changeable through planning and management processes. For instance, products such as apparel and food get affected due to these factors. The idea is to reduce production hours, waste, and the cost of materials so that companies can offer products at lower prices. High interest rates on credit cards can discourage customers from spending. Internal and External

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Analysis You can't write a good business plan based on guesses. The viability of businesses depends upon their ability to understand the laws of the land and to abide by them, while not becoming less innovative in their marketing endeavors due to fear of their infringing some laws. Any of these factors can provide opportunities or pose threats for your business. Your staff will infer your values based on the type of people you hire, fire and promote. Fast growth of population accompanied with rising income means expanding markets. Government regulations such as those that affect the environment or communication are beyond your control and could have a direct impact on your business. What we mean by this is that these factors can either be as a direct consequence of the actions of the company internal , or completely unrelated and avoidable external.