

Macro Environment :

A macro environment refers to the set of conditions that exist in the economy as a whole, rather than in a particular sector or region. In general, the macro environment includes trends in the gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy. The macro-environment is closely linked to the general business cycle as opposed to the performance of an individual business sector.

"Macro environment includes forces that create opportunities and pose threats to the business units. It includes economic, demographic, natural technological, political and cultural environments." - Philip Kotler

* Some Factors of Macro Environment :-

1. Economic Environment :

The macro economic indicators should be studied by the strategist because they have an impact on his decisions. These are the factors that influence a company's ability to make money and produce wealth. Wealth maximization is more significant because it entails maximising profits and reinvesting them in ventures that create further revenue.

It refers to all factors related to the areas of production, distribution, income and wealth have a bearing on the function of business.

The main factors that affect the economic environment are:

• Economic conditions:

The economic conditions of a nation refer to a set of economic factors that have great influence on business organizations and their operations.

• Economic Policies:

All business activities and operations are directly influenced by the economic policies framed by the government from time to time.

• Economic System:

India has adopted the mixed economy system which implies co-existence of public sector and private sector.

Economic environment may put constraints and may offer opportunities to business.

9. Social and Cultural Environment:

It implies the tradition, culture, customs, values of a society in which the business exists.

- **Tradition:** In India, festivals like Diwali, Christmas, Holi, etc. make provision for financial opportunity for several market segments like sweet manufacturers, gifting products suppliers, etc.
- **Value:** A company that follows long-held values like social justice, freedom, equal opportunities, gender equality, etc., excels in that gives society.
- **Recurrent Trends:** It refers to development or general changes in a society like consumption habits, fitness awareness, and literacy rate, etc. which influence a business. For example, the demand for organic vegetables and gluten-free food is increasing; therefore, companies which manufacture food items keep this in mind attract more crowds.

3. Political Environment:

The regulatory Environment refers to the political environment. As custodians of citizens, national, state, and local governments play an important role. They use regulatory actions such as constitutional provisions, government programmes, and industrial rules to safeguard and promote the interests of citizens.

It constitutes all the factors related to government affairs such as the type of government in power, the attitude of government towards different groups of societies, policy changes, etc.

4. Legal Environment :

It includes the laws, rules, regulations, acts passed by the government. A company has to operate by abiding by the rule and regulations of laws like the Consumer Protection Act 1986, Companies Act 1956, etc. A proper understanding of these law assists in the smooth operations of a company.

Example, A cigarette-selling company compulsion has to put the slogan "Smoking is injurious to health" on every packaging.

5. Demographic Environment :

Demographic characteristics include population size, birth rate, growth rate, age composition, family size, level of education, language, caste, income level, earners and non-earners in a family, and level of education, language, caste, income.

The demand for goods and services is determined by market demand, which can be either potential or actual. Market refers to both actual and potential consumers.

5. Technological Environment :

It comprises the knowledge of the latest technological advancements and scientific innovations to improve the quantity and relevance of goods and services. A company that keeps track of this news regularly can mould their business strategies accordingly.

Example, A watch company that sells smart-watches along with traditional watches will prosper as smartwatches are trendy recently.

* What are the similarities between Internal and External Environment?

- The analysis of the internal and external environment is extremely important for the growth of a business.
- Therefore, it is necessary to analyse both the internal and external environment to maintain a smooth and sustainable business.

* Difference between Internal and External Business Environment :->

Basis	Internal Environment	External Environment.
Definition	The environment that is in direct contact with a business organization and can directly affect the daily activities of the business.	Outside factors that influence the organizational performance, decision making and strategy of all businesses
Other Name	Micro-Environment	Macro Environment
Effect	Specific business	All business groups
Elements	Competitions, suppliers, shareholders, customers.	Economic, socio-cultural, technological, legal & political and environmental.
Analysis	KOSMIC SWOT	PESTLE
Control	Controllable	Beyond the control of a business entity
Influence	Directly and regularly	Indirectly and distantly