Sample: Marketing - Business Paper

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1. Question 1.

Business environment is one of the core notions used when discussing the creation, development and sustainability of different businesses. In its most comprehensive sense, business environment is a set of various factors that affect, either positively or negatively, the operation of businesses. Naturally, businesses do not exist independently from the business environment that surround them, and, thus, they should always take into consideration environmental factors.

In general, there are two types of business environment that organizations have to deal with: Internal environment and external environment. Internal environment is believed to be controllable on the part of businesses, and it is comprised by inner organizational policies, strategy, goals, hierarchy and management tactics and other interior functional elements of any business unit. On the contrary, external factors are considered to be predominantly out of control of businesses; instead, external environment itself produces an enormous impact upon the way business units operate (Goyal 12). External business environment includes the following factors: Political situation in the country, laws and governmental policies; economic situation and trends, social and demographic realities, technology, competition intensity at the market, and many others.

Businesses should, first of all, be aware of the specific features of their business environment and, secondly, they should adapt to them via adjusting their goals, policies and routine operations to the nature of their surrounding. Business environment is highly important, because each business unit is a part of it and even more than that – each company and organization is a product of business environment. Thus, one may conclude that the combination of external factors may imply both threats and opportunities for business, and companies can and should analyze the environment and determine the range of favorable factors and the range of unfavorable ones.

Environmental factors are interdependent, for example, the level of economic development and governmental funding strongly affects technological development. Thus, in terms of analyzing their environment businesses should develop a skill of prediction and be capable of foreseeing what long-term and short-term effects any social, political, technological or cultural shift will produce on business environment. It may happen that certain businesses also affect the external environment, for example, by providing employment opportunities and improving well-being of the people, or by changing their perceptions and culture. Thus, businesses and business environment are tightly interrelated.

2. Question 2.

Market is the medium in which buyers and sellers are engaged into a series of interactions, aiming at exchanging certain goods or services. Buyers and sellers are the two main components of the market, they are interconnected and dependent on each other; sellers produce and sell while buyers purchase and consume. In the highly hypothetic conditions where one of these two basic components is missing, market ceases to exist. Present day markets' operation is based on the two core economic principles, namely demand and supply. Demand is the amount of goods that buyers are willing and capable of purchasing. Supply, in its turn, is the amount of goods that sellers are willing and capable of producing.

Supply-demand correlation determines the level of market saturation with different goods and services, price of goods and services and other important issues. In general, demand is generated by buyers, as a total number of all people with the ability to purchase goods and services. Supply is generated by sellers, as a sum total of all business units witch are able to produce goods and offer services. The interaction of buyers and sellers determines the price; a factor which is crucial for supply-demand relation.

One of the most important laws of the market – the law of demand – states that price is inversely proportional to demand, that is, when the price for some goods or services increases, the demand for these goods and services goes down, and vice versa (with all else equal) (Supply & Demand: How Markets Work). At the same time, the law of supply claims that when the price for some goods or services grows, they are supplied in greater quantity as an effect of that, and vice versa. Achievement of equilibrium, that is, when demand and supply are well-balanced and harmonized, is the key to successful development of the market.

Also, demand and supply are additionally affected by other factors. In particular, buyers' intention and ability to buy depends not only on the price of some goods of services, but on the price of other similar goods and services on the market, on the level of buyer's income, on the amount of people who already use goods and services in question, and the like. Similarly, factors other than price also affect sellers and, respectively, demand: number of sellers on the market and degree of market competition, availability of manufacturing technologies, and others.

Finally, it is important to mention that, in addition to rules of supply and demand, competition plays a vital role for operation of various markets. It is believed that only competitive markets, unlike monopolistic markets, for instance, create the best possibilities for development and better chances to achieve natural supply-demand equilibrium.

Works Cited

Goyal, Alok, and Mridula Goyal. *Business Environment*. New Delhi: VK Publications, 2008. Print.

Supply & Demand: How Markets Work. Web. 15 October 2013. <http://www.enviroliteracy.org/article.php/1310.html>.