

1.16: Microenvironment vs. Macroenvironment

Learning Objectives

- Differentiate between macroenvironment and microenvironment considerations in strategic planning

Business (or Strategic) management is the art, science, and craft of formulating, implementing and evaluating decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs.

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) and PEST analysis (Political, Economic, Social, and Technological analysis) or STEER analysis involving Socio-cultural, Technological, Economic, Ecological, and Regulatory factors and EPISTELS (Environment, Political, Informatic, Social, Technological, Economic, Legal and Spiritual)

Strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key questions:

1. "What do we do?"
2. "For whom do we do it?"
3. "How do we excel?"

In business strategic planning, the third question is better phrased "How can we beat or avoid competition?".^[1] In many organizations, this is viewed as a process for determining where an organization is going over the next year or more—typically 3 to 5 years, although some extend their vision to 20 years. In order to determine where it is going, the organization needs to know exactly where it stands, then determine where it wants to go and how it will get there. The resulting document is called the "strategic plan".

Strategic planning may also be a tool for effectively plotting the direction of a company; however, strategic planning itself cannot foretell exactly how the market will evolve and what issues will surface in the coming days in order to plan your organizational strategy. Therefore, strategic innovation and tinkering with the 'strategic plan' have to be a cornerstone strategy for an organization to survive the turbulent business climate.

Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives.

No discussion of strategic planning can ignore the micro and macro factors that are relevant in the success and possible failure of the retail business. The **business environment** is a marketing term and refers to factors and forces that affect a firm's ability to build and maintain successful customer relationships. The three levels of the environment are. We will focus on micro and macro factors in this module:

1. Micro (External) environment – small forces within the company that affect its ability to serve its customers.
2. Internal environment – can be controlled, however, it can't influence an external environment.
3. Macro (external) environment – larger societal forces that affect the microenvironment.

Micro Environmental Factors

Micro environments in retail is anything in the immediate environment including suppliers, customers, competitors, and stakeholders. Any government and other regulating body can be thought of as a stakeholder. Typically the micro environment is local to the business and any business owner should be well aware of those factors affecting the retail business.

Macro Environmental Factors

Macro environments are often outside of the retailer's control and are typically of a larger scale and are usually of an economic and industry viewpoint.

SWOT ANALYSIS

	Helpful to achieving the objective	Harmful to achieving the objective
Internal Origin attribution of the organization	S Strengths	W Weaknesses
External Origin attribution of the environment	O Opportunities	T Threats

In understanding micro and macro environments a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is commonly used in retail. Strengths and weaknesses are those internal factors impacting an organization while opportunities and threats are external factors that are outside of the organization's control. Look at these slides reporting on a [SWOT analysis of GAP Inc](#) then let's walk through a SWOT analysis for the GAP below.

Some of the positive internal attributes are franchising opportunities and global brand recognition. Strengths answer question such as: What value do we bring to the customer? What do we do well? What is making a difference? Some of the weaknesses include a dependence on outside vendors as well as long term debt. They also have a dependence on an older consumer. Weaknesses address questions such as: What needs improving? What isn't working? What do our customers dislike? In looking at those external opportunity factors affecting Gap that are positive you can see they have a market for plus size women's apparel and they are growing the online business. There is also an opportunity for growth in Asia. Opportunities address the following questions: What should be changed? What should the company start or stop doing? Finally, threats are those external factors that can't be controlled but are still a consideration. The Gap has strong competition, slow economic recovery, and increased labor costs. Threats answer the following questions: What are the threats to the business? Are there any economic, political, or customer trends? Are there any financial threats such as cost or debt?

In addition, PEST (Political, Economic, Social, and Technological) as well as Porter's 5-Forces analysis is also used as a way to understand new competition, the threat of new competition, the bargaining power of suppliers and customers, and the level of competition.

PEST Analysis

Political	<ul style="list-style-type: none">• Political stability• Regulation and de-regulation• Statutes, laws, codes of conduct• Government funding, subsidies, support for specific industries• Fiscal/ monetary policy• Tax rates• Trade agreements
Economic	<ul style="list-style-type: none">• Economic trends• Economic stability – inflation, wages growth, GDP, GNP• Exchange rates• Trade agreements• Seasonality and economic cycles• Consumer confidence• Consumer purchasing power- discretionary incomes
Social	<ul style="list-style-type: none">• Demographic changes – population growth, age distribution, population density, geographic distribution• Consumer attitudes - tastes and preferences• Social influencers- role models, opinion leaders• Shopping habits –preferred channels, channel switching, online & offline shopping
Technological	<ul style="list-style-type: none">• Innovation, breakthroughs or technological developments• New product materials or ingredients, new packaging solutions• Improved production processes or business models• New ways of transacting business• New machinery or software

Additional Resources

- [A PEST to Infest your Analysis](#)

? practice questions

<https://assessments.lumenlearning.co...ssessments/9133>

1. (Bradford and Duncan,*Simplified Strategic Planning*. Chandler House, 2000. page 1). ↩

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