

The Macro Environment: Six Forces in the Environment of a Business

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A company is not alone in doing business. It is surrounded by and operates in a larger context. This context is called the Macro Environment. It consists of all the forces that shape opportunities, but also pose threats to the company, or the industry it represents.

The Macro Environment consists of 6 different forces:

Demographic, **E**conomic, **P**olitical, **E**cological, **S**ocio-Cultural, and **T**echnological forces.

This can easily be remembered: the **DESTEP** model, also called DEPEST model, helps to consider the different factors of the Macro Environment:



1. Demographic Forces in the Macro Environment

Demographic forces relate changes in human populations. This includes population size, density, age, gender, occupation and other statistics. Why are people important? Because, on the whole, their needs is the reason for businesses to exist. In other words, people are the driving force for the development of an industry. The large and diverse demographic considerations and changes offer both opportunities and challenges for businesses. Especially

in times of rapid world population growth and overall demographic changes, the study of people is crucial for business leaders. *Changing demographics mean changing markets and changing markets mean a need for adjusted business strategies.* Some of the most important demographic trends that affect industry are population growth, changing age structure, changing family structures and geographic shifts in population.

1. Economic forces in the Macro Environment

The Economic forces relate to factors that affect consumer purchasing power and spending patterns. Business leaders should maintain awareness of such economic forces as economic growth or decline, tax regulations, unemployment rates, inflation rates, measures of disposable personal income, and consumer spending patterns.

1. Socio-Cultural forces in the Macro Environment

The Socio-Cultural forces link to factors that affect society's basic values, preferences and behavior. The basis for these factors is formed by the fact that people are part of a society and cultural group that shape their beliefs and values. Many cultural blunders occur due to the failure of businesses in understanding new, different and/or changing cultural norms. For instance, appearance, actions, words, symbols or terminology may carry a positive or negative meaning depending on culture.

1. Technological forces in the Macro Environment

Technological forces form a crucial influence in the Macro Environment. They relate to factors that create new technologies and thereby create new products and market opportunities or threats.

Obvious technological developments include wireless communication and business techniques, smartphone applications, etc. This may mean the emergence of opportunities for a business, but watch out: every new technology replaces an older one. Thus, business leaders must watch the technological environment closely and adapt in order to keep up. Otherwise, the products or services will soon be outdated, and the company will miss new product and market opportunities.

1. Ecological forces in the Macro Environment

Ecological, or natural forces in the Macro Environment are important since they impact the natural resources which are needed as inputs for business or for an economy at large. Also, environmental concerns have grown strongly in recent years, which makes the ecological force a crucial factor to consider. For instance, world, air and water pollution are headlines every marketer should be aware of. In other words, you should keep track of the trends in the ecological environment.

Important trends in the ecological environment are the growing shortage of raw materials and the care for renewable resources. In addition, increased pollution, but also increased intervention of government in natural resource management is an issue.

Because of all these concerns and the increased involvement of society in ecological issues, companies more than ever before need to consider and implement environmentally conscious practices in response to consumer demands for environmentally friendly and responsible products.

1. Political forces in the Macro Environment

Every business is impacted by the political environment. This involves laws, government agencies and political action groups. These forces influence and restrict organizations and individuals in a society. Therefore, business decisions are strongly influenced and affected by developments in the political environment.

Business leaders should maintain awareness of the legal and political environment. How might a given legislation affect their industry in general and/or their business in particular? What regulations do need to be most aware of? What regulations might limit the company's ability to be successful, vs. which would maximize opportunities? For example, laws covering issues such as environmental protection, product safety regulations, competition, pricing etc. might require a business or industry to adapt strategies to the new political landscape.

As we have seen, a business, and the industry it represents, is surrounded by a complex environment. The Macro Environment consists of a large variety of different forces. All of these may shape opportunities for the company, but could also pose threats. It is of critical importance that business leaders understand and have an eye on developments in the Macro Environment, to help their business and industry succeed in the long term.