

Chapter 3: Management and Business Environment

Q1.	<p>Give the meaning of business environment.</p> <p>Ans. Business Environment refers to all those conditions and forces external to a business unit, under which it operates.</p>
Q2.	<p>Discuss the features of business environment.</p> <p>Ans. The important features are:</p> <ol style="list-style-type: none"> <u>Totality of external forces:</u> Business environment is the sum total of all the external forces that have influence on the working of a business system. <u>Specific and general forces:</u> Business environment includes specific forces such as investors, customers, competitors and suppliers, which directly affect working of individual enterprises. General forces such as social, political, legal and technological conditions indirectly affect the business enterprises. <u>Inter-relatedness:</u> The different elements of business environment are closely inter-related. For example, increased awareness for health care has increased the demand for organic food and roasted snacks. <u>Dynamic nature:</u> It is dynamic in nature, i.e. it keeps on changing. For example, invention of new technique, changes in industrial policy, etc. <u>Uncertainty:</u> It is very difficult to predict the trend of business environment with full accuracy. <u>Complexity:</u> It is complex as it is a combination of many factors, which are interrelated and interdependent. <u>Relativity:</u> It is a relative concept as it differs from one organisation to another or from one country to another.
Q3.	<p>Discuss the importance of business environment.</p> <p>Ans. The study of business environment is very important because of following reasons:</p> <ol style="list-style-type: none"> <u>Helps firm to identify opportunities and getting the first mover advantage:</u> Business environment provides numerous opportunities for business units. The company, which is more conscious about the changes taking place in business environment, is able to take full advantage of opportunities instead of losing them to competitors. For example, Maruti Udyog became the leader in small car market because it was the first to recognise the need for small car. <u>Helps to identify threats and early warning signals:</u> Environmental awareness helps an organisation to identify threats to its business interests and acts as early warning signals for a business to prepare itself. Timely understanding of environment provides a base of qualitative information, which can be used to make changes in the organisation. <u>Helps in tapping useful resources:</u> A business gets various resources or inputs from the environment and in turn, supplies output to the environment. The analysis of business environment helps in determining the requirements of environment. It facilitates the business to arrange useful resources from the environment at economical prices and at the right time. <u>Helps in coping with rapid changes:</u> A systematic and continuous monitoring of business environment keeps the management updated. It enables the business to cope up with the changes in the environment and making relevant changes in their internal environment. For example, Google. <u>Helps in assisting in planning and policy formulation:</u> Scanning, understanding and analysis of business environment provide base for planning (deciding future course of action) and policy formulation (guidelines for decision making). <u>Helps in improving performance:</u> The analysis and understanding of trends of the business environment helps the business to improve their performance. Enterprises, which continuously monitor and adjust themselves as per changing business environment, perform better as compared to enterprises, which keep a close eye towards the external environment.
Q4.	<p>Discuss the various dimensions of business environment.</p> <p>Ans. The various dimensions of business environment are:</p> <ol style="list-style-type: none"> <u>Economic Environment:</u> <i>Economic Environment refers to all those forces that have economic impact on the business activities.</i> <ul style="list-style-type: none"> As business enterprise is primarily an economic organisation, its survival and prosperity is governed by economic environment and market conditions. Key economic influences include factors such as inflation, interest rates, disposable income, money supply, etc. These influences affect the management practices in a business enterprise. For example, Decrease in interest rates on housing loans by banks will increase the demand for housing loans. <u>Social Environment:</u> <i>Social Environment represents the customs and traditions, values, culture, social trends, beliefs, norms and ethics of a society in which business enterprises operate.</i> <ul style="list-style-type: none"> In order to enjoy social sanction, business must discharge social responsibility, social obligations and social commitment. Analysis and understanding of social environment is important as it determines the products, services and standards of conduct that are acceptable to society. Social Environment includes social forces like Traditions (Diwali, Id, Christmas, etc.), Values (Individual freedom, social justice, etc.) and Social Trends (increased awareness towards health). Changes in consumers' demand require business firms to change their production and marketing plans. For example, Increase in number of working women in India.