

### Chapter 3: Management and Business Environment

**Rapidly changing technological environment:** Increased competition made it compulsory for Indian firms to adopt the latest technology in production. Use of advanced technology provides a competitive edge as it helps in producing better quality goods at lower cost. As a result, now-a-days, most of the big companies spend huge amount on technological upgradation. *For example*, Tata spent huge amount on research and development to develop 'Nano', so that the car can withstand ever changing technological environment. However, rapidly changing technology creates tough challenges for the smaller firms, due to shortage of funds.

- (iv) **Necessity for change:** Before the economic reforms of 1991, the business environment was quite stable and policies and practices of firms used to continue for a long period of time. However, after the economic reforms, the policy of LPG has made the business environment unstable. As a result, enterprises have to continuously modify their operations and policies. *For example*, firms like Nokia, Samsung, Bajaj, keep on making changes in their products, so that their products can face competition.
- (v) **Need for developing human resource:** Indian firms have suffered a lot due to shortage of unskilled and inadequately trained personnel. In the turbulent environment, it is not possible to achieve success with such ordinary employees. Firms need people with higher competence and greater commitment. Hence, there is a constant need to develop human resources. *For example*, firms regularly arrange on-the-job and off-the-job training for their employees, so as to update their knowledge.
- (vi) **Market orientation:** Earlier, firms used to follow production oriented approach or selling concept, i.e. produce first and then go to market for sale. However, with increase in competition and consumerism, the firms have adopted the market oriented approach or marketing concept, i.e. study and analyse the market first and produce goods accordingly. Now, the firms first identify the needs of buyers and then, manufacture the products, to satisfy them in an effective manner.
- (vii) **Loss of budgetary support to the public sector:** After the economic reforms, the role of public sector has declined. As a result, Government has also reduced the financial support to the public sector undertakings (PSU's). PSU's have realised that, in order to survive and grow in the competitive world, they will have to improve their performance and generate their own resources.

**Q13. How would you characterise business environment? Explain, with examples, the difference between general and specific environment. (NCERT)**

**Ans.** Discuss 'Characteristics of Business Environment'.

General Environment	Specific Environment
General environment indirectly influences the working of a business firm.	Specific environment directly influences the working of a business firm.
General environment includes economic, social, political, legal and technological environment.	Specific environment includes customers, owners and investors, suppliers, creditors, employees, trade unions, competitors, government, etc.

**Q14. Lately, many companies have planned for significant investment in organised retailing in India. Several factors have prompted their decisions in this regard. Customer income is rising. People have developed a taste for better quality products even though they may have to pay more. The aspiration levels have increased. The government has also liberalised its economic policies in this regard and permitted even cent percent foreign direct investment in some sectors of retailing.**

**(i) Identify changes in business environment under different heads: economic, social, technological, political and legal, that have facilitated the companies' decisions to plan significant investments in organised retailing.**

**(ii) What has been the impact of these changes with regard to globalisation and privatisation?**

**Ans.**

(i) The changes in business environment under different heads are:

- Economic Change: 'Customer income is rising.'
- Social Change: 'The aspiration levels have increased.'
- Technological Change: 'People have developed a taste for better quality products even though they may have to pay more.'
- Political Change: 'The government has also liberalised its economic policies.'
- Legal Change: 'Cent percent foreign direct investment in some sectors of retailing has been now permitted.'

(ii) Discuss the 'Impact of Economic Reforms on the Business'.