

- Gender biasness
- Conservatism
- Effect of male dominating society.
- Inequality of rights for same work.

Q.2. An organization proposes that the use of CFLs and leds which consumes less electricity than normal bulbs for its lighting arrangements .which value is being attained by the organization.

- Save electricity
- Reduction in cost.
- Protection of environment.

CHAPTER -3

BUSINESS ENVIRONMENT

CONCEPT SUMMARY

1. MEANING:

It is the sum total of all individuals or institutions comprising of consumers, competitors, suppliers government, courts, media and also the forces like economic, social, political, legal and technological that are outside the ambit and control of business enterprise but that which can affect its performance.

2. FEATURES OF BUSINESS ENVIRONMENT:

(i) constitutes totally of external forces – it comprises of the sum total of all forces that are external to the business firm which it must deal with.

(ii) Specific and general forces- the forces present outside can be divided into two parts specific – these affect the firms of an industry separately e.g customers, suppliers, competitive firms etc.

General – these forces affect all the firms of an industry equally e.g social, political.

(iii) Inter-related – the different factors are co-related e.g change in the import – export policy is a political change that gives rise to economic change that gives rise to economic change as well

(iv) Uncertainty-business environment are susceptible to rapid changes, no one can predict with certainty the changes in the factors.e.g change in technology and fashion.

(v) Dynamic – business environment keeps on changing.

(vi) Complex – it is difficult to know the extent of impact of the changes that the factors can bring in.

(vii) Relative – business environment is a relative concept as it differs from country to country, region to region.

3. IMPORTANCE OF BUSINESS ENVIRONMENT:

(i) Identify the opportunities and getting the first mover advantage – by being aware of the changes in business environment, enterprises can identify opportunity and strategize ways to capitalize on them.

(ii) Identify threats and early warning signals – environment scanning helps in detecting possible threats in future.

(iii) Basis for planning and policy for formulation – identification of threats and opportunity serves as basis for deciding the future course of action.

(iv) Tapping use full resources – the resources are required to carry on a successful business enterprise. These have to be procured from the business environment.

(v) Helps in coping with rapid changes – turbulent markets, less brand loyalty, divisions and sub-divisions (fragmentation) of markets, more demanding customers, rapid changes in technology and intense global competition combined with complex business environment calls for a flexible planning to cope with the changes.

(vi) Improvement in organization performance- continuous and constant monitoring and adapting suitable business practices result in improved business performance.

4. DIMENSIONS OF BUSINESS ENVIRONMENT:

The various dimensions of business environment in terms of general environment are:



Economic Environment:

Refers to all those forces that have economic impact on the business activity components of economic environment are GDP, Inflation rate, interest rate, Rupee value, stock exchange index, tax rate

Political environment: includes political conditions such as political leadership, political stability, and practices of the ruling party, nature and extent of government interference, international relations.

Legal environment : refers to the framework of laws and various legislations within which the business activities take place

Components of legal Environment are Government legislation, court judgments, Decision of various commissions.

Social Environment: represents the customs and traditions, values, culture, social trends, beliefs, norms and ethics of a society in which business enterprises operate.

Components of social Environment are customs traditions, social expectations, lifestyles, values, literacy level

Technological Environment: refers to the influence of the changes in the technology on the business environment.

Components of Technological Environment: new methods and techniques of business operations, scientific improvements and innovations,

As a part of economic reforms the Government of India announced New industrial policy in July 1991 which emphasized on three major elements which were:

- **Liberalization** – from the clutches of licensing policy. Therefore, removal of entry and growth restrictions on the private sector enterprises.
- **Globalization** – encouragement of foreign private participation in industrial development. This step mainly intended at integrating the national economy with the world economy through the removal of barriers on international trade and capital movements.
- **Privatization** - drastic reduction in the role of public sector. Future it aimed at transfer of ownership, management and control of the public sector enterprise to the private sector.

The new industrial policy aimed at created a more competent environment in the economy so as to strengthen the process of industrialization. Its features are as follows

- Delicensing of all projects except six industries
- Decreased role of public sector to merely 4 industries
- Disinvestment: selling of a part or whole of the shares of the public sector undertaking
- Liberalization of Foreign capital
- Setting up of foreign Investment board (FIPB)
- Liberal policy for technical collaborations

IMPACT OF GOVERNMENT POLICY CHANGES ON BUSINESS AND INDUSTRY:

- Increase in competition
- Demanding customers
- Technical changes and increased investment in R and D
- Necessity of change
- Development of human resource
- Market orientation
- Loss of budgetary support to the public sector.

VERY SHORT ANSWERS

Que1. Business environment keeps on changing whether in terms of technological improvements shift in consumer preferences etc. identify the characteristic of business environment.

Ans. Dynamic nature.

Que2. Business environment consists of numerous interrelated and dynamic conditions which arise from different source and hence it becomes difficult to judge as to what constitutes a business environment. Identify the characteristic of business environment.

Ans. Complexity.

Que3. India food is popular in India as compared to china japan etc. identify the characteristic of business environment.

Ans. Relativity.

Que4. In fashion industries, it is difficult predict what is going to happen in future. Identify the characteristic of business environment.

Ans. Uncertainty.

Que5. What do you mean by first mover advantages?

Ans. Early identification of opportunities.

Que6. How can environment awareness help managers?

Ans. various threats are identified in time.

Que7. How can political stability be beneficial to the economy?

Ans. confidence among the business people is built up to invest and take up new ventures.

Que8. which policy moved India to globalization pattern?

Ans. Industrial policy 1991.

Que9. Govt. of India is seriously thinking to allow oil marketing public sector understanding to fix their own price for petrol and diesel. Which economic reform is the reason of this change in government 'policy'?

Ans. The reason for this change in the government's policy is "liberalization".

Que10. Just after declaration of Lok Sabha elections 2009 results, the Bombay stock exchange's price index (Sensex) rose by 2100 points in a day. Identifies the environment factor which leads to this size.

Ans. Political environment.

SHORT ANSWERS.

Q.1. Briefly explain the following.

1. Liberalization
2. Privatization
3. Globalization.

ANS. Liberalization- "freeing the Indian business and industry from all unnecessary government controls and restrictions"

Privatization- "giving greater role to the private sector in the nation building process and drastically reducing the role of the public sector".

Globalization- it means the integration of our economy to the world economy.

LONG QUESTION ANSWERS

Que 1 State any five features of Business Environment.

OR

Describe any five features of Business Environment.

Ans. Following are the main features of the business environment

- (i) Totality of External forces: Business environment is the sum total of all the external factors that influence the functioning of the business. Hence it can be called as the comprehensive mega force consisting of all external inputs.
- (ii) Specific and general forces: Business environment is made up of both specific and general force. Specific forces directly affect the working of the business. Customers, investors etc come under specific forces while social conditions etc. belong to general forces.
- (iii) Inter- relatedness: Various element of environment are very closely related to each other . For example arrival of large number of health product in Indian market have influenced our lifestyles.

Que2. Why understanding of 'Business Environment important for managers? State any five points.

OR

How does understanding of 'Business Environment help managers? Explain with the help of any five points.

Ans. The benefits of understanding business environment are as under:

(i) Identification of opportunities and getting the first mover advantage
Environment understanding help the business firm to take advantage of early opportunities. Such business firm likely to stay ahead of their competitors.

(ii) Warning signal or Rader effect

Environment awareness helps to recognize and make Use of qualitative information.

This in turn can make a business enterprise take necessary proactive measures well in time

(iv) Planning and policy formulation

Environmental awareness provides intellectual stimulation to planners in their decision making. They can make changes in their plans efficiently and effectively.

(v) image building

Environmental understanding generates a feeling among public that business is sensitive and responsive to its environmental.

(vi) Coping with rapid changes

It helps management become more sensitive to ever changing needs of customers. As a result, they are able to respond to such changes effectively.

(vii) Improving performance

Environmental awareness provides a continuing, broad based education for management. Objective qualitative information generated by such understanding provides a strong basis for strategic thinking. The enterprises that monitor their environment closely can adopt suitable business practices to not only their performance but also become leader in the industry

Q3. What do you understand by economic environment? List the main aspects of economic environment.

Ans- Economic environment consists of factors like's inflation rates, interest rates, consumers, incomes, economic policies, and market conditions etc. which affect the performance of a business firm.

Following are the main aspects of economic environment:

- 1 The role of public and private sector in the existing structure of the economy.
- 2 The rate of increase in GNP and per capita income both at current and constant prices.
- 3 Quantum of exports and imports of different products.
- 4 Increase in transportation and communication facilities.
- 5 Trends in agricultural and industrial productions.
- 6 Amount of savings and investment.

Q4 explain the changes initiated by the government of India since 1991?

Ans- following changes have been observed since 1991

1. New industrial policy

- a. Government has begun disinvesting in public sector undertaking
- b. There are new schemes to attract foreign direct investment (FDI).
- c. There is promoting clearance of foreign investment proposals.

- d. Tax concession is given to units in special economic zones (sezs).
- e. There is broadband facility in telecom sector
- f. Abolition of industrial registrations scheme.

2. **New trade policy**

- A. there is liberalization of import policy.
- B. deemed exports are entitled to special import license,
- C. there are greater concession to import organized unit(EOU).and unit in export promotion zones(EPZ).
- D. credited is now less expensive and many imports are duty free.
- E. simplification of procedures related to export promotion.
- F. removal of export quotas and reduction in import duties.

3. **Fiscal reforms**

- A. measures have been taken to bring down fiscal deficit
- B. tax reforms have been entitled to increase revenue in tax complacence.
- C. reduction in direct and indirect taxes.
- E. decreases in subsidies.

4. **Monetary reforms**

- A. phased reduction of statutory liquidity ratio(SLR).
- B. private sectors banks allowed to set up new branches.
- C. banks have now been allowed to access capital market for raising capital.
- d. Permission for disinvestment (up to 49% of total equity).

5. **Capital market reforms**

- a. ceiling on rate of interest on debenture and bonds abolished.
- b. FIIs can access capital markets.
- c. private sector can set up mutual funds.
- d. bonus issues have been made more liberal.



e. security and exchange board of India(SEBI) has been made a statutory body.

Q5 Enumerate any ten positive impacts of Liberalization and Globalization.

Ans- the positive impacts of liberalization and globalization are as follows:

1. Opportunities for new entrepreneurs.
2. Latest technology becoming available.
3. Opening up of foreign markets.
4. Easy imports of capital goods.
5. Direct investment by Indian companies abroad.
6. Changed attitude of labour unions.
7. Easy inflow of foreign capital.
8. Freedom of expand and diversify.
9. Restricting of industries
10. Widening of product choices for consumers.

Q6. Explain five positive points of globalization and liberalization.

Ans. Following are the positive effects of globalization and liberalization:

1. Merger and acquisitions

Many business enterprises are consolidating through mergers and acquisitions.

2. Global market

More and more Indian companies are directing three efforts towards global markets. Easy flow of foreign capital and easy import of capital goods catalyze development of global market.

3. Customer is the king

Business enterprises pay their attention to customer needs and their satisfaction.

4. New technology

Companies are upgrading their technologies. Producers are using world class technology. This has led to more investment in research and development (R&D), innovation, product development etc. resulting, cost of production reduces and efficiency increase.

5. Brand building

Business enterprises are emphasizing more on brand building. They are becoming more aggressive towards brand building and are spending huge amounts on brand equity.

Q.7. discuss the impact of government policy changes on business and industry in India.

Ans. 1. More demanding customers.

2. Increased competition.

3. Need to develop human talent.

4. Rapidly changing technological environment.

5. Market orientation.

HOTS

1. It is the process by which government control over the industry, being loosened. Give the term to which this statement is trying to indicate.

Ans Liberalization.

VALUE BASED QUESTIONS.

- **Q.1. Bhupesh , a manager of the firm always takes into account the changes taking place in business environment while determining plans he accepts changes readily and gives useful suggestions to his superiors. he enjoys cordial relations with his co workers and make plans in consultations with his team to achieve organisational goals. which values are exhibited by bhupesh?**

Ans. Value points.

- Adaptability
- Receptive of new ideas.
- Dynamic/futuristic approach.
- Initiative.
- Teamwork/ participative leadership.

Q.2. In recent times the Govt. has increased the prices of diesel and LPG. Which values is being overlooked here?

ans.

- Fall in standard of living.
- Increase in domestic expenditure.

CHAPTER-4 PLANNING

CONCEPT SUMMARY

Meaning – It is the process of setting objectives and targets for a given time period and formulating an action plan to achieve them effectively and efficiently. It concerns itself

With both ends and means that is what is to be done and how it is to be done.



Definition -

“Planning seeks to bridge the gap between where we are and where we want to go. Planning is a trap to capture the future.

Importance of planning

- a) Provides direction – By stating in advance the future course of action of what is to be done and how it is to be done. By stating in advance it facilitates unity of direction.
- ii) Reduces the risk of uncertainty – By predicting future events and preparing the organization to anticipate the future and face unexpected events.
- iii) Facilitates decision making- planning helps the manager to look into the future and make a sound judgment or choice from among the various alternatives.
- iv) Reduces overlapping and wasteful activities- Through elimination and minimization of useless and redundant activities facilitates clarity.