

**CLASS 12**  
**BUSINESS STUDIES**  
**CHAPTER 3 - BUSINESS ENVIRONMENT - NOTES AND CASE STUDIES**

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### **Concept of Business Environment**

The term '**Business Environment**' means the totality of all individuals, institutions and other forces that are outside the control of a business enterprise but have a major impact on its performance. .

### **Features of Business Environment**

1. **Totality of external forces.** Business environment is the sum total of all individuals, groups, institutions and forces that exist outside the business organisation and impact it.
2. **Specific and general forces.** Specific forces are customers, competitors and suppliers and they have a direct impact on the organisation. General forces are political, social, legal, technological and economic dimensions which have an indirect impact on the organisation.
3. **Inter-relatedness.** Different elements of business environment are inter-related and inter-dependent. E.g., increase in disposable income may increase the demand of luxury products.
4. **Dynamic nature.** Customer tastes and preferences, intensity of competition in the market, etc. keep on changing giving it a dynamic nature.
5. **Uncertainty.** It is impossible to predict future events with certainty. In some industries like mobile manufacturing, IT, etc. it is even more difficult to do so.
6. **Complexity.** It is really difficult for a business firm to understand business environment unless it is broken into components like political, economic, social, technological and legal dimensions.
7. **Relativity.** Business environment differs from place to place so it is a relative concept. This difference can be on the basis of social, political or other dimensions of business. E.g., kurta-pyjamas are more in demand in India than Western countries—Social dimension.

### **Importance of Business Environment**

1. **It enables the firm to identify new opportunities when they arise, and getting the first mover's advantage.** Opportunities are the external trends which give advantage to a business firm.
2. **It helps the firm to identify forthcoming threats and early warning signals.** Threats are the external trends which bring disadvantage to a business firm. '
3. **It helps in tapping useful resources.** A business firm converts inputs like capital, labour, power, etc. into finished goods of public utility.
4. **surprises.** Markets are fragmented and Customer loyalties are ever-changing. Environment is turning more dynamic and world has turned into a global village. All these have given more options to the customers.

5. **It helps in assisting planning and policy formulation** for future as proper plans and policies can only be made after proper interaction with the Business Environment.
6. **It helps in improving performance.** A business firm monitors business environment and continuously finds ways to improve performance.

### **Dimensions of Business Environment**

1. **Economic environment.** Economic environment of business includes various economic factors that can affect a business enterprise. It includes:
  - Economic policies of the government—Industrial Policy, Export-Import Policy etc.
  - Short-term and long-term interest rates
  - Rate of inflation
  - Stock market indices
  - Value of domestic currency in terms of foreign currencies, etc.
2. **Social environment.** Social environment consists of attitudes, beliefs, desires, customs and traditions, level of education, education system, composition of working population, social, cultural and religious values, consumers' awareness, role of NGOs, etc. Traditions include social practices that people have been following and practising for ages like celebrating Holi, Diwali, Christmas, etc. During times of such festivals demand for sweets, cakes, greeting cards, gifts, etc. increases rapidly.
3. **Technological environment.** It includes forces relating to scientific improvement and innovation that provide new methods and techniques of production and for operating a business. A firm needs to keep track of technological advancement otherwise it will be forced out of the market. For example, Banks cannot function without computers any more.
4. **Political environment.** It includes:
  - Political system and ideology
  - Stability of Government
  - Trade Union activities
  - Approach and attitude of the Government
 Political stability in a country attracts domestic as well as foreign investment, while political instability and unrest can shake the confidence of the investors. The attitude of government and its officials can have a positive or negative influence on the business.
5. **Legal environment includes—**
  - the provisions of the Constitution
  - Commercial and economic laws
  - Government policies and
  - Judicial decisions

### **Liberalisation , Privatisation and Globalisation**

**Liberalisation** is an economic policy to remove unnecessary restrictions and government regulations on business. Steps were taken by the Government in this direction—

1. abolishing licensing requirements in most industries except for a short list of industries.
2. freedom in deciding the scale of business activities.
3. removal of restrictions on the movement of goods and services.
4. freedom in fixing the prices of goods and services.
5. reduction in tax rates and unnecessary control over the economy.
6. simplifying procedures for import and export of goods.
7. attracting foreign capital to the country.

### **Impact of Liberalisation on Business and Industry in India**

1. **Removal of barriers to international investing.** Investing in emerging market countries is often restricted by tax laws, foreign investment restrictions, legal issues and accounting regulations. Liberalisation policy resulted in relaxation of these barriers and relinquished some control over the direction of the economy to the private sector. It resulted in deregulation and privatization of certain companies.
2. **Unrestricted flow of capital.** Liberalisation aimed at free flow of capital between nations and the efficient allocation of resources and competitive advantages. This was done by reducing protectionist policies like tariffs, trade laws and other trade barriers. This made it cheaper for companies to access capital from investors.
3. **Stock market performance.** Liberalisation resulted in increase in stock market values. It resulted in inflow of capital. Such flow of capital was unavailable to the investors prior to liberalisation.
4. **Reduction in political risks.** Liberalisation reduced the political risks to investors. Liberalisation created an environment in the country which was able to attract domestic as well as foreign investors. Liberalisation allowed investors to operate with more confidence within the country.
5. **Diversification for investors.** Liberalisation allowed investors to invest a portion of their portfolio into a diversifying class. It allowed the country to become more integrated with the rest of the world.

**Privatisation.** This economic reform aims at increasing the role of private sector in the economy and thereby reducing the role of public sector. In 1991, the Indian government adopted the policy of planned disinvestment of the public sector. Under the policy, sick and loss-making enterprises were handed over to BIFR (Board of Industrial and Financial Reconstruction). Disinvestment means transfer of public sector enterprises to the private sector.

**Globalisation.** Globalisation means integrating the economy of a country with the economies of other countries to facilitate free flow of trade, capital, people and technology across the borders. It leads to the emergence of a cohesive global economy.

These economic reforms aim at eliminating geographical and political barriers in trade among various nations of the globe.

## Impact of Government policy changes on Business and Industry

1. **Increasing competition.** Due to the entry of foreign companies post 1991, the competition for Indian Companies increased.
2. **More demanding customers.** Customers post 1991 have become more powerful with more options. They now have wider choice of goods and services.
3. **Rapidly changing technological environment.** There has been a rapid advancement in technology and the companies have tried to cope up with this advancement.
4. **Necessity for change.** Post 1991 a lot has happened and change in various departments of business has become imperative.
5. **Need for developing human resources.** Requirement of highly competent and trained human resource has increased in order to cope up with the stiff competition given by multinational companies.
6. **Market orientation.** Earlier a product-oriented approach was adopted but post 1991 the companies have moved towards market-oriented approach wherein, first proper research is done to know what types of products are required by the potential customers and then these are manufactured.
7. **Loss of budgetary support to public sector.** Budgetary support to public sector companies has declined. Post 1991 these companies have to manage on their own to grow and survive.

### QUESTION NO. 1:

'The first masters' is a leading advertising company in its industry. Recently they had a meeting in which all the reasons which were outside the control of the organisation were discussed. The organisation wanted to maintain its supremacy in the market. They decided to break the meeting into two parts. In the first part customers, competitors, suppliers, etc. were discussed where as in the second part the political, economic, social conditions in the country were discussed. It was concluded that company was doing extremely well in the domestic market and the client base was expanding. However when the company's performance in foreign markets was evaluated it was found that conditions were different in different countries so the strategies adopted would have to be different. After the meeting the company was looking forward to making new gains.

Which features of Business Environment have been highlighted in the above case? Also identify the lines.

### ANSWER:

**The features of Business Environment which have been highlighted are:**

1. **Totality of external forces.** Recently they had a meeting in which all the reasons which were outside the control of the organisation were discussed.
2. **Specific and general forces.** In the first part customers, competitors, suppliers, etc. were discussed where as in the second part the political, economic, social conditions in the country were discussed.
3. **Relativity.** However when the company's performance in foreign markets was evaluated it was found that conditions were different in different countries so the strategies adopted would have to be different.

**QUESTION NO. 2:**

Bright Services is a taxi service provider. The company is targeting a revenue of 50 crore rupees this year. However with the passage of time it has found entrance of new service providers in the market which was not expected at one stage of time. It has a good team of technicians, drivers, software providers, etc. The company has decided to make it adaptable to such continuously changing circumstances. It knows that if it has to expand in new countries it will have to learn the basic differentiating factors like traffic rules, technological aspects, etc. Thus it understands that conditions are different in different countries.

Which features of Business Environment are discussed in the above case? Which force is discussed above?

**ANSWER:**

**The various features of Business Environment which are discussed above are:**

1. **Uncertainty.** However with the passage of time it has found entrance of new service providers in the market which was not expected at one stage of time.
2. **Dynamic nature.** The company has decided to make it adaptable to such continuously changing circumstances.
3. **Relativity.** Thus it understands that conditions are different in different countries.

The type of force which is discussed above is General Force —Legal (Traffic rules), Technological (Technical aspects).

**QUESTION NO. 3:**

ABCDEF Ltd. decided to start its new venture in Delhi. For this they needed to understand the Business Environment of the area. It was realised by the company that the Business Environment of Delhi was very hard to understand unless and until it was divided into different business dimensions like legal, political, economic, social and technological conditions. After understanding the business situations the company started to study the close links between different elements of the Business Environment. They gave a proper shape to their research and the business got started with full force. Later they realised that the products they were selling in Delhi were more fit for the European culture and decided to start a new branch in Belgium where the demand of their products was very high from the first day. The company came to be recognized and in few years became a global brand. The reason for its success in different countries was the adaptability' it showed in meeting the changing environment. The company kept track of all happenings and did a periodic survey of the choices of the customers. It recognized that there was no surety in the nature of market and it was very unpredictable.

Which features of Business Environment have been highlighted in the above case? Identify the lines which highlight these features.

**ANSWER:**

**The various features of Business Environment which are highlighted in the above case are:**

1. **Complexity.** It was realised by the company that the Business Environment of Delhi was very hard to understand unless and until it was divided into different

business dimensions like legal, political, economic, social and technological conditions. As we can see it is very difficult to understand the business environment unless it is broken into its dimensions.

2. **Interrelatedness.** After understanding the business situations the company started to study the close links between different elements of the Business Environment.
3. **Relativity.** Later they realised that the products they were selling in Delhi were more fit for the European culture and decided to start a new branch in Belgium where the demand of their products was very high from the first day.
4. **Dynamic nature.** The reason for its success in different countries was the adaptability it showed in meeting the changing environment.

#### **QUESTION NO. 4:**

A company is a component of market. It utilises various raw materials, labour force, human resources, power, water, other sources, etc. When all these resources are utilized output is produced. But before output is produced the input has to go through various operations. These operations convert the raw materials into final products which are then sold in the market.

In the above paragraph which importance of Business Environment is highlighted?

#### **ANSWER:**

The importance of business environment which is highlighted above is — **Helps in tapping useful resources.**

#### **QUESTION NO. 5:**

The market is flooded with better quality toys of foreign origin. The result is fall in revenue of the indigenous or local companies as their products are much inferior and are also costlier in less demand in the market.

Which dimension of Business Environment can be seen here affecting the local companies' revenue? 1

#### **ANSWER:**

The dimension of Business Environment which is affecting the indigenous companies is

**Technological Environment.** Since the products are technologically advanced they are replacing the locally made inferior products.

#### **QUESTION NO. 6:**

The sale of sarees increases in the months of the year when a large number of marriages take place in India. The saree manufacturing companies make special plans of sale for these months.

Which dimension of business environment comes into picture here?

#### **ANSWER:**

The dimension of business environment which is covered here is the "**Social**" dimension of business environment as marriages come under the social dimension.

#### **QUESTION NO. 7:**

We can expect high sale of sarees in India but we can't expect the same in Which feature of business environment is discussed in the previous line?

**ANSWER:**

The feature of business environment which is discussed above is “**Relativity**” as the business environment varies from place to place. The choice of people, their culture and purchasing capacity are different in different areas.

**QUESTION NO. 8:**

Advertisements of a protein supplement must inform the potential buyer that the product if taken beyond a given dose can be harmful to the diabetics.

Which dimension of business environment is highlighted here?

**ANSWER:**

The dimension of business environment which is highlighted here is the “**Legal**” environment as it comes under the legal laws to clearly state the necessary information as directed by the government.

**QUESTION NO. 9:**

Long Drive Manufacturers is a leading vehicle manufacturing company. It claims that it can create a fuel in its laboratory which can run the newly designed car. The company is ready to provide this fuel to its customers for free for one year provided they buy the car.

Which dimension of business environment is affected here by the company’s innovative solution?

**ANSWER:**

The dimension of business which is affected here by the company’s innovation is the “**Technological**” environment.

**QUESTION NO. 10:**

Identify the various dimensions of business environment:

1. With the election of a new government the sensex drops by 748 points.
2. A particular channel refrains from showing the advertisement of a particular product as it is banned by the government.
3. A software is in high demand among the industrial buyers as it can connect all the branches of a company as a single integrated unit.
4. At the time of holi a large number of manufacturing firms get involved in making colours which are used in the celebration of this colourful festival.
5. It is not advisable to open a luxury car showroom in the middle of an economy where per capita income is very low.

**ANSWER:**

**The various dimensions of business environment highlighted above are:**

1. Political environment.
2. Legal environment.
3. Technological environment.
4. Social environment.
5. Economic environment.

**QUESTION****NO.****11:**

A recent rate cut in the interest on loans announced by the Banks encouraged Amit, a science student of Progressive School to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organized by Directorate of Education. He was awarded first prize for his invention. Identify and explain the dimensions of business environment discussed in the above case.

**ANSWER:**

**Following are the dimensions of business environment discussed in the above para:**

1. **Economic Environment.** Economic dimension of business environment includes various economic factors like inflation, interest rates, currency value, income of people, etc. Both short and long term interest rates affect the demand for various goods and services in the economy. Lower interest rates lead to higher demand while higher interest rates lead to less spending by consumers leading to reduced demand.
2. **Technological Environment.** Scientific improvements and innovations are included in the technological dimension of business environment. It provides new ways and methods of producing goods and services. For example, technological developments in the field of computers and information technology have changed the ways in which companies promote their goods and services.

**QUESTION NO. 12:**

With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates. Identify and explain the dimensions of business environment discussed in the above case.

**ANSWER:**

**Following dimensions of business environment are discussed in the given para:**

1. **Social Environment.** Social Environment consists of attitudes, beliefs, desires, customs and traditions, level of education, composition of working population, culture, religion, values, etc. Values refer to concepts which are held by the society in high esteem and traditions include social practices that have been followed by the society for a long period of time.
2. **Technological Environment.** Scientific improvement and innovations are included in the technological dimension of business environment. It provides new ways and methods of producing goods and services. For example, technological developments in the field of computers and information technology have changed the ways in which companies promote their goods and services.



**QUESTION NO. 13:**

“World Softwares” is a software giant. It has many branches throughout the world. The company knows that it has great opportunities in its path. When it was limited only to its native country. With the passage of time within 20 years the economies of various countries have integrated. This has come as a great advantage to this company which has expanded. In many of the countries where it has its branches the control of government in the public sector enterprises has diluted leading to more control in the hands of the private sector. One of the major reasons for the success of the company has been the role of the initiator the company has played as it was the first company of its kind to enter the market.

Identify the two important concepts highlighted above. Which type of advantage has been indicated in the last line of the above case?

**ANSWER:**

**Globalisation. With the passage of time within 20 years the economies of various countries have integrated.**

1. **Disinvestment.** In many of the countries where it has its branches the control of government in the public sector enterprises has diluted leading to more control in the hands of the private sector.
2. **First mover advantage.** The role of the initiator the company has played as it was the first company of its kind to enter the market.

**QUESTION NO. 14:**

Metlapp Networks and Technologies Ltd. is a leader in technology innovation in the United States, creating products and solutions for connecting the world. It has a large research and development team which invented the first smart watch, named as W-7. The watch besides showing the time, also monitors few health parameters like heart beat, blood pressure etc.

While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of simplified export procedure and removal of quantitative as well as tariff restrictions in India.

It set up its office in Jamnagar with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefiting the customers.

1. In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.
2. Also, explain briefly any three impacts of these concepts on Indian business and industry.

**ANSWER:**

1. **The two major concepts related to government policy discussed in the given para are as follows:**
  - **Liberalisation.** Liberalisation means removing unnecessary control and restrictions over the business. It refers to those government policies that

promote economic growth by lessening the restrictions and regulations placed on the business.

- **Globalisation.** It is an economic reform that aims at integration of markets in the global economy leading to the increased inter-connectedness of national economies. It simply means the integration of the various economies of the world leading towards the emergence of a cohesive global economy.

## 2. **Three impacts of liberalisation and globalisation on Indian business.**

- **Increase in competition.** In today's Indian economy, competition has increased due to liberalised imports and entry of MNCs (foreign Multinationals). Although, it is good for consumers, but some of the Indian industrial units, particularly small-scale and medium scale industries are facing problems.
- **More demanding customers.** Customers are well informed and so they have become more demanding. They have a wider choice and can now purchase better products and services.
- **Technological development.** Increasing competition has forced the companies to develop new technologies. New technologies make it possible to improve machines, production process, products and services. The rapidly changing technological environment has created tough challenges before small firms.
- **Necessity for change.** Since Economic Reforms of 1991 market forces have been changing rapidly. Therefore, business firms have to continuously modify their operations.
- **Need for developing human resources.** The new market conditions require people with higher qualifications, competence and greater commitment. Hence there is a need to train and upgrade human resources.

### **QUESTION NO. 15:**

The internet has taken the whole world by surprise. The government has also been lenient in giving the online companies a chance to flourish in the changing business scenario. Interneters Online is an entrepreneurial initiative by a group of young engineers. The company has entered in the domain of providing products online. Many new firms have also entered after seeing them enter this mode of business and many of these firms are foreign in origin. The companies dealing in online business know that in today's world customer has many options. The customer is no more dependent on a single company for the product he requires. This has empowered the customer who has more choices and the result is a fragmented market. The firms selling with monopoly in the market are the stories of the past. The products offered by the companies are going through different types of technological changes. The companies are trying to give variety of products which are technologically advanced. "Interneters Online" is a firm which is right now selling 200 products online. Recently if tried to increase the number of products to be sold by 15 but it realised that many of these products were not allowed by the government to be sold in their territory.

Identify three impacts of government policy changes on Business and Industry highlighted in the above case. Also identify the dimension of business environment highlighted above.

**ANSWER:**

**The three impacts of government policy changes on Business and Industry highlighted above are:**

1. **Increasing Competition.** Many new firms have also entered after seeing them enter this mode of business and many of these firms are foreign in origin.
2. **More demanding customers.** This has empowered the customer who has more choices and the result is a fragmented market.
3. **Rapidly changing technological environment.** The companies are trying to give variety of products which are technologically advanced. The dimension of business environment which is highlighted above is Legal environment. It realised that many of these products were not allowed by the government to be sold in their territory.

**QUESTION NO. 16:**

The Indian companies after the year 1991 have especially paid attention to the need of having a manpower which can adjust to the changing competitive environment. The new market situations require employees with greater talent and higher level of competence.

In the above paragraph which one important impact of Government policy change on business is highlighted?

**ANSWER:**

Need for developing human resource.

**QUESTION NO. 17:**

With the abolition of licensing requirements a company has decided to enter into a new industry and the government's support is making the movements of goods easier. The company has lost its foothold in the previous industry in which it was once a leader. All this happened because of the opposition of a project which the company had undertaken in a village. The villagers started to gather and the incidence caught the attention of media. There were protests and the result was the closure of the plant. The biggest competitor of the company wanted to ensure that they gain from this situation. They started their vigorous efforts to increase their business output. This company knows that all the inputs are the resources from the outside environment and they have to be converted into successful products. Five years back the company used to make products which used to suit its production requirements. Now it has decided to manufacture products according to the requirements of the potential customers. The product can only reach customers in the best possible manner only if the company prepares itself. For this the company invests a lot in its employees so that they can meet the best standards of providing services which suit the customers. The revenue of the company can decline in the next few years. The reason for this could be the different types of innovative practices involved by various competitors in producing goods with the latest technology. For this the company will have to prepare itself.

Which economic reform is highlighted in the initial lines of the above case? Which dimension of business is affected here in the initial lines of the passage? Which importance of business environment is highlighted here? Name three different types of impacts of government policy changes on business and industry you can find here.

**ANSWER:**

The economic reform which is highlighted in the initial lines of the above case is Liberalisation. With the abolition of licensing requirements, the company has decided to enter into a new industry and the government's support is making the movements of goods easier.

The dimension of business which is affected in the above lines is Political. There were protests and the result was the closure of the plant.

The importance of business environment which is highlighted here is **Tapping useful resources**. There were protests and the result was the closure of the plant.

**Three different types of impacts of government policy changes on business and industry we can find here are:**

1. **Market Orientation.** Now it has decided to manufacture products according to the requirements of the potential customers.
2. **Need for developing human resource.** For this the company invests a lot in its employees so that they can meet the best standards of providing services which suit the customers.
3. **Rapidly changing technological environment.** The reason for this could be the different type of innovative practices involved by various competitors in producing goods with the latest technology.

**QUESTION NO. 18:**

It's high time that the government should finalise the industrial and monetary policies. The various economic indices like national income, per capita income, rate of savings and investment, etc. should be taken care of while deciding any economic plans for future.

Which concept can be seen discussed in the above paragraph?

**ANSWER:**

The concept which has been discussed in the above paragraph is "**Economic Environment**".

**QUESTION NO. 19:**

ABCDE Ltd. has opened a customized shoe business in 23 cities. The organisation has done a lot of research on the nature of business environment in which it is doing business. The market has fragmented as there are many players, brand loyalties of the customers keep on changing, customers are more demanding and there is intense competition in the market. Every week on Saturday the board of directors sits for a meeting and decides the future course of action. They rely on their surveys and past performances of other companies to achieve policy making and deciding future course of action. The company devotes its lot of time in understanding the external environment. With all the research the company has realised that the business environment does tend to have a lot of impact on the organisation so it is necessary to continuously monitor it.

Name the various importance of management highlighted above?

**ANSWER:**

**The various importance of business environment highlighted above:**

1. **It helps in coping with rapid changes.** The market has fragmented as there are many players, brand loyalties of the customers keep on changing, customers are more demanding and there is intense competition in the market.
2. **It helps in planning and policy formulation.** They rely on their surveys and past performances of other companies to achieve policy making and deciding future course of action.
3. **It helps in improving performance.** With all the research the company has realised that the business environment does tend to have a lot of impact on the organisation so it is necessary to continuously monitor it.

**QUESTION**

**NO.**

**20:**

A greeting card making company in USA is flourishing well. The company makes cards for different occasions. During the time of Christmas and New Year, the production and selling of cards reaches a new high. The company exists in an environment which is democratic and there are rules for every business firm. Once you step out of the company there are customers, competitors, government authority and almost everything one can think of. The company appears to have a promising future.

However the firm will have to understand the close relationship between various elements of the business environment around it.

In the above case which dimension of business environment is highlighted? Which features of business environment are highlighted in the above case?

**ANSWER:**

The dimension of business environment which is highlighted above is “**Social**”. The Company makes cards for different occasions. During the time of Christmas and New Year Eve. The production and selling of cards reaches a new high.

**The features of business environment which are highlighted above are:**

1. **Totality of external forces.** Once you step out of the company there are customers, competitors, government authority and almost everything you can think of.
2. **Inter-relatedness.** However the firm will have to understand the close relationship between various elements of the business environment around it.

**QUESTION NO. 21:**

‘Raise the Bar’ is a sports equipment company. It has different branches in different parts of the world. However, the requirements of the sports equipments are different in different branches. This is due to the change in cultures and lifestyles of people in the different countries. The market in which it is dealing is known for awareness of health. The more the awareness the more is the demand for such equipments.

Company knows that the demand for these products is unpredictable as new designs keep on coming and the industry keeps on changing frequently. There is a Research and Development Department which keeps on updating the equipments in material and design. However the outside business environment is characterized by changing customer preferences, entry of new competitors making it change. A meeting was organized recently to understand the external business environment.

However, after the meeting it was realised that business environment can’t be understood in totality it can only be understood by breaking it into its dimensions.

The result of a successful meeting could be seen later in the performance of the company which created record sales in the coming year.

Identify the features of business environment highlighted here.

**ANSWER:**

**The different features of business environment highlighted above are:**

1. **Relativity.** This is due to the change in cultures and lifestyles of people in the different countries.
2. **Uncertainty.** Company knows that the demand for these products is unpredictable as new designs keep on coming and the industry keeps on changing frequently.
3. **Dynamic nature.** However, the outside business environment is characterized by changing customer preferences, entry of new competitors making it change.
4. **Complexity.** However after the meeting it was realised that business environment can't be understood in totality it can only be understood by breaking it into its dimensions.

**QUESTION NO. 22:**

GHJ Private Ltd. is concerned about the external environment of business. It is busy analyzing various factors which are going to affect its business. However with a lot of understanding it developed about the business it found two types of factors; one which affected the firm directly and the other which affected all the firms in the business. With the passage of time the challenges for the company have increased. The company finds new competitors and technological challenges which are posing new changes for it. The company at the end of the year decides to have a survey. This survey is about knowing the business environment properly. Even after spending a lot of money on the surveys the company comes to conclusion that it's not easy to understand the business environment and it is properly understood only in parts. The company is ready to seek advice from experts and is eager to notice changes in the business environment. When a multinational company enters the market the company is eager in taking preventive measures like improving the product, aggressive advertising, etc. A special team of experts have been created. The team observes the changes taking place like changing branding loyalty, more demanding customers, etc. as it knows the pace of change is more important than the change itself. The painstaking efforts of the company don't go unrewarded. The company by the end of the year makes huge profit and by understanding the business environment is able to increase its revenue.

Which features of business environment have been highlighted in the above case?

Also identify the various importance of business environment highlighted above.

**ANSWER:**

**The various features of business environment which are highlighted in the above case are:**

1. **Specific and general forces.** However with a lot of understanding it developed about the business it found two types of factors; one which affects the firm directly and the other which affected all the firms in the business.
2. **Dynamic nature.** The Company finds new competitors and technological challenges which are posing new changes for it.
3. **Complexity.** Even after spending a lot of money on the surveys the company comes to a conclusion that it's not easy to understand the business environment and it is properly understood in parts.

**The various benefits of business environment highlighted in the above case are:**

1. **It helps the firm to identify threats and send early warning signals.** When a multinational company enters the market the Company is eager in taking preventive measures like improving the product, aggressive advertising, etc.
2. **It helps in coping with rapid changes.** The team observes the changes taking place like changing branding loyalty, more demanding customers, etc. as it knows the pace of change is more important than the change itself.
3. **It helps in improving performance.** The Company by the end of the year makes huge profit and by understanding the business environment, is able to increase its revenue.

**QUESTION NO. 23:**

Identify the dimensions of business environment in the following cases:

1. Hand-woven carpets are banned in some European countries as they think there can be involvement of child labour in the manufacturing of these carpets. Products produced through the involvement of child labour are banned in these countries.
2. With the winning of a new party in a particular country an automobile company has decided to take back its plan of opening 15 plants in that country.
3. In the month of October a greeting card manufacturing company has decided to increase its scale of production of New Year Greeting Cards.
4. A chocolate making company has decided to make more sweetened chocolates for people living in a particular country.
5. A super bike producing company has decided to withdraw its earlier proposal of opening 10 new plants in a country as it finds the per capita income of that country too low to purchase its bikes in large numbers.
6. Advertising of a particular brand is taken back as it is expected to hurt the sentiments of a particular section of society. The company takes this decision on a conscientious level.

**ANSWER:**

**The various dimensions of business environment highlighted above are:**

1. Legal Environment.
2. Political Environment.
3. Social Environment.
4. Social Environment.
5. Economic Environment.
6. **Social Environment.** Since nothing is preventing the company legally, the decision is taken after taking into consideration the social feelings of the people.

**QUESTION NO. 24:**

'On Your Marks' is a good shoe manufacturing company. The company is the first to start a shoe having a unique technology giving it a long life. However the company knows that it exists in an environment where everything around it counts; so

everything around it matters. Therefore, it is trying to observe every small aspect of the business environment. There are various factors which are closely related to each other and can't be understood in isolation like change in lifestyle which can be linked to the improved demand of technologically advanced shoes. However, the company can't be self satisfied. It will have to adjust to rapidly changing technology, fragmentation of market, changing brand loyalties, etc. It has got good man power and a very well established production department. It knows that various resources in the form of inputs have to be transformed into the best products and sold for increasing its revenue. However, there are various challenges which the company is facing. These are in the form of protests done by labour unions throughout the country which sometimes assume the form of strikes. The board of directors is keen to adapt to this difficult situation. Government is playing a very positive role, like it did a few years back, and is freeing the business environment from unnecessary restrictions and government controls. The company is hopeful of emerging as a winner under such government support.

Which features of business environment are highlighted in the above case? Identify the importance of business environment highlighted in the above case? Which dimension of business environment is highlighted above? Which economic reform is discussed in the last part of the case?

**ANSWER:**

**The features of business environment highlighted in the above case are:**

1. **Totality of external forces.** However, the company knows that it exists in an environment where everything around it counts; so everything around it matters.
2. **Inter-relatedness.** There are various factors which are closely related to each other and can't be understood in isolation like change in lifestyle which can be linked to the improved demand of technologically advanced shoes.

The importance of business environment highlighted in the above case:

1. **It helps in coping with rapid changes.** It will have to adjust to rapidly changing technology, fragmentation of market, changing brand loyalties, etc.
2. **It helps in tapping useful resources.** It knows that various resources in the form of inputs have to be transformed into the best products and sold for increasing its revenue.

The dimension of business environment which is highlighted in the above case is '**Political Environment**'. These are in the form of protests done by labour unions throughout the country and about to assume the form of strikes. The economic reform which is discussed in the last part of the case is '**Liberalisation**'. Government is playing a very positive role, like it did a few years back, and is freeing the business environment from unnecessary restrictions and government controls.



**QUESTION NO.-25:**

'Runners Ahead' is an emerging software consultancy company. The a specific manner but political, social and economic conditions affect it in a general way. The company has decided to prepare an emergency plan to meet unpredictable challenges which change the business in a very fast manner particularly in the field of Information Technology. The changes in the IT sector are very fast. So the chances of success are high; like in the case of new software launched where the company has the advantage of entering the market early. However, things are not so easy. Every time circumstances pose new challenges. The organisation has decided to monitor the external business environment so that it can adopt suitable measures to increase its client base.

Recently the company has been given a project by the government to study and analyse its new policy. The policy of the government is to give a bigger role to the private sector by reducing its own role in the Public Sector Undertakings.

In order, to meet new challenges the company has to exploit various aspects of business. Recently it has invented a new type of advanced software for social networking sites for the aged people catering to their specific needs. The company is expecting huge rise in its revenue through the help of this project.

Which features of business environment is highlighted in the above case? Identify the importance of business environment highlighted in the above case.

Which economic reform is highlighted in the above case in the second paragraph of the above case?

Which dimension of business environment is highlighted in the above case? 1

**ANSWER:**

Recently the company has been given a project by the government to study and analyse its new policy. The policy of the government is about giving a bigger role to the private sector by reducing its own role in the Public Sector Undertakings.

In order, to meet new challenges the company has to exploit various aspects of business. Recently it has invented a new type of advanced software for social networking sites for the aged people catering to their specific needs. The company is expecting huge rise in its revenue through the help of this project.

The features of business environment highlighted in the above case are:

1. **Specific and general forces.** The company finds its business affected by customers, competitors, tax taking authorities in an isolated manner but political, social and economic conditions affect it in a general way.
2. **Uncertainty.** The Company has decided to prepare an emergency plan to meet unpredictable challenges which change the business in a very fast manner particularly in the field of Information Technology.

The importance of business environment highlighted above:

1. **It enables the firm to identify opportunities and get the first mover advantage.** So the

chances of success are high; like in the case of new software launched where the company has the advantage of entering the market early.

2. **It helps in improving performance.** The organisation has decided to monitor the external business environment so that it can adopt suitable measures to increase its client base.

The economic reform highlighted in the above case is '**Privatisation**'. The policy of the government is about giving a bigger role to the private sector by reducing its own role in the Public Sector Undertakings. The dimension of business environment which is highlighted above is 'Social'. Recently it has invented a new type of advanced software for social networking sites for the aged people catering to their specific needs.

**QUESTION NO. 26:**

'Shaktishali Steel' is a steel manufacturing company. The owner's brother is a director in a public sector undertaking. He advises his brother to make his company run properly otherwise they can also face the same result which less performing PSU's have faced. The Public Sector Undertakings now have changed and are trying to generate high revenues for their own functioning, as the government support has declined.

In the above case which impact of government policy changes on business has been highlighted?

**ANSWER:**

Loss of budgetary support to the public sector.

**QUESTION NO. 27:**

After the adoption of various economic reforms by the Indian government, the business scenario in the country has changed. Earlier, the firms used to produce first and go to the market for sale later. But now-a-days firms analyse the needs and wants of the consumers first and then produce goods accordingly.

Identify the impact of government policy changes on business and industry in India, mentioned in the above case.

**ANSWER:**

Market Orientation

**QUESTION NO. 28:**

Identify the dimensions of Business Environment in the following cases:

1. The demonetisation move of the government has resulted in the accumulation of lakhs of crores of rupees in the banks. Now the banks will give more loans to the people at lower interest rate. General public can now afford home loans more easily.
2. Small business will now move towards transaction of business affairs in plastic money. This will lead to use of internet, new gadgets, etc. and reduce dependence on cash. Report generation of these transactions will be helpful in acting as proof for the betterment of future business.

**ANSWER:**

1. **Economic environment.** Since the demonetisation move results in lowering of interest rates.
2. **Technological environment.** Due to demonetisation move, there will be technological advancement in the way business transactions will be done.

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