

Quadrant II – Transcript and Related Materials

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Paper Title: Business Environment

Unit: I

Module Name: Importance and Features of Business Environment.

Module No: 03

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Transcript of video:

IMPORTANCE OF BUSINESS ENVIRONMENT

(1) Identification of Strength:

- The analysis of the internal environment will help us to identify strengths of the firm.
- For example, if the company has a very good personal policy with respect to training, promotion, transfer, etc. this indicates strength of the firm in respect of their personal policies.
- This strength can be seen through the job satisfaction and performance of the employees.
- Example we have Maruti Udyog who became the leader in the small car market because they were the ones who first recognized the need for small cars in India.
- After identifying all the strengths the firm must try to consolidate all its strengths available and try to make further improvement in its existing plans & policies.

(2) Identification of Weakness:

- The analysis of the internal environment will not only indicate the strengths but also the weaknesses of the firm.
- A firm may be strong in certain areas; whereas it may be weak in some other areas.
- Some instances where weakness of the company can be seen are product quality, Poor Brand Image, under-motivated workforce
- The firm should identify weakness and correct them.

(3) Identification of Opportunities:

- An analysis of the external environment helps the business firm to identify the opportunities in the market.
- The business firm should make every possible effort to grab the opportunities as and when they come.
- For example, your opportunities lie in changing market trends, this can be done by introducing new products, making price change in existing product, adapting your advertising .

(4) Identification of Threats:

- Business may be subject to threats from competitors and others.
- Therefore environmental analysis helps to identify threats such from the environment earlier date is always beneficial to the firm as it helps to defuse the same.

(5) Ensures Optimum Utilization of Resources:

- The study of business environment is needed as it ensures optimum use of resources available.
- For this, the study of **economic and technological** environment is useful.

- Such study enables organization to take full benefit of government policies, concessions provided, and technological developments and so on.

(6) Ensures Survival and Growth:

- Study of Business environment is needed for survival and growth of business.
- It inform us about suitable changes to be affected in business policies.
- This helps the business organizations to grow & prosper.

FEATURES OF BUSINESS ENVIRONMENT

1. Environment is inseparable part of business:

- Environment is an important part of any business.
- Business cannot work without environment.
- Business requires good framework of factors relating to legal, political, social, cultural and economic factors.
- Both business and environment have influence over each other.
- Business enterprises continuously interacts with its environment for taking inputs like raw materials, capital, labour, energy etc. and converts them into finished goods and services and then send them back to the environment.

2. Environment is Dynamic:

- Business environment is dynamic in nature.
- Environment does remains constant for a longer period of time.
- Eg we may find government may change certain policies; there may be changes in consumer tastes and preferences etc. changes in technology also affect the business.
- The success of the business depends on how business is alert and adapt themselves with the changing environment.

3. Internal and external factors:

- The environment of business comprises of internal and external factors. Internal environment includes plans and policies, employees, business objectives etc.
- The external environment is again subdivided into micro factor and macro factor.
- Micro factor includes customers, suppliers, competitors, society etc.

- Macro factor comprise of social, economic, legal, technological and other factors, which are unpredictable and uncontrollable.

4. Business lacks control over environment:

- Business environment is a constantly changing process.
- Business lacks control over external environment.
- It cannot have control over external environment but it is possible to have influence over internal environment.
- Internal environment is controllable whereas external environment is uncontrollable.

5. Environment is complex:

- Complexity is the significant one amongst the features of business environment.
- Modern business is more complex, flexible and highly un-predictable.
 - Any change in the environment can adversely affect the business organisation.
- Frequent change in governmental policies make the business environment even more complex, and it is quite difficult to manage the business, which is providing services in different countries as different countries have different rules to conduct business.

6. Uncertainty:

- Business environment is largely uncertain, as it is very difficult to predict future happenings, especially when environmental changes take place too frequently.
- The enterprises must continuously monitor their environment and adopt suitable business practices not only improve their present performance but also continue to succeed in the market for a longer period.
- For example, there could be raw material which is available easily today, but it can be difficult to get a few years later.
- The dynamic nature of the prices of raw material can also impact the revenue generation of business.