

SECTION – 4

QUESTION-1.

ANSWER:-

Importance of Business Environment:-

Giving Direction for Growth:-

When a business interacts with its environment, it becomes easier to identify areas for growth and expansion of its activities. Are consumers moving away from certain goods or services? Also, are your competitors offering features that you should include in your products too? A firm can get answers to similar questions by tapping into its business environment.

Continuous Learning:-

Since the environment is inherently dynamic in nature, it constantly keeps changing. This keeps the managers motivated to continuously update their knowledge and skills. This helps them prepare for predicted and unpredicted changes in the realm of business. For example, after the introduction of GST, how has your consumers' buying behavior changed?

Image Building:-

The image of a business can improve to a great extent if the organization displays sensitivity to its environment. Also, in order to do so, the business must understand its environment well. As an example, many factories find power shortage as a factor in their business environment. Hence, many companies have set up Captive Power Plants (CPPs) in their factories to fulfill their power requirements.

Meeting Competition:-

In any business, it is important to be aware of the actions and strategies of your competitors. A business environment enables firms to analyze their competitors' strategies and actions. Further, they can create their own strategies accordingly. If you take a quick look at the telecom sector, almost all providers offer similar services at similar prices.

The reason is that most telecom organizations ensure that they are abreast of the strategies and actions of their competitors. The markets are highly competitive and firms face an uphill task to survive and grow in them. Understanding the importance of business environment and deploying resources to analyze it thoroughly can be a big stepping stone for the success of any business.

Nature of Business Environment:

The nature of Business Environment is simply and better explained by the following approaches:

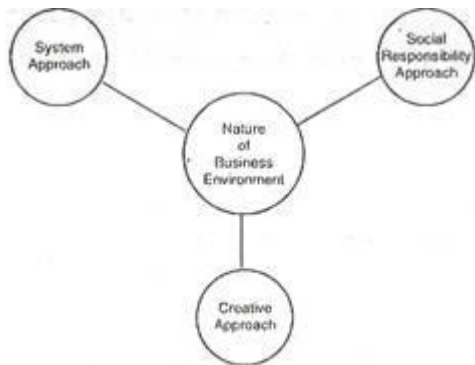


FIG. 1 : NATURE OF BUSINESS ENVIRONMENT

(i) System Approach:

In original, business is a system by which it produces goods and services for the satisfaction of wants, by using several inputs, such as, raw material, capital, labour etc. from the environment.

(ii) Social Responsibility Approach:

In this approach business should fulfill its responsibility towards several categories of the society such as consumers, stockholders, employees, government etc.

(iii) Creative Approach:

As per this approach, business gives shape to the environment by facing the challenges and availing the opportunities in time. The business brings about changes in the society by giving attention to the needs of the people.

Significance of Business Environment:

Business Environment refers to the “Sum total of conditions which surround man at a given point in space and time. In the past, the environment of man consisted of only the physical aspects of the planet Earth (air, water and land) and the biotic communities. But in due course

of time and advancement of society, man extended his environment through his social, economic and political function.”

In a globalised economy, the business environment plays an important role in almost all business enterprises. The significance of business environment is explained with the help of the following points:

(i) Help to understand internal Environment:

It is very much important for business enterprise to understand its internal environment, such as business policy, organisation structure etc. In such case an effective management information system will help to predict the business environmental changes.

(ii) Help to Understand Economic System:

The different kinds of economic systems influence the business in different ways. It is essential for a businessman and business firm to know about the role of capitalists, socialist and mixed economy.

(iii) Help to Understand Economic Policy:

Economic policy has its own importance in business environment and it has an important place in business. The business environment helps to understand government policies such as, export-import policy, price policy; monetary policy, foreign exchange policy, industrial policy etc. have much effect on business.

(iv) Help to Understand Market Conditions:

It is necessary for an enterprise to have the knowledge of market structure and changes taking place in it. The knowledge about increase and decrease in demand, supply, monopolistic practices, government participation in business etc., is necessary for an enterprise.