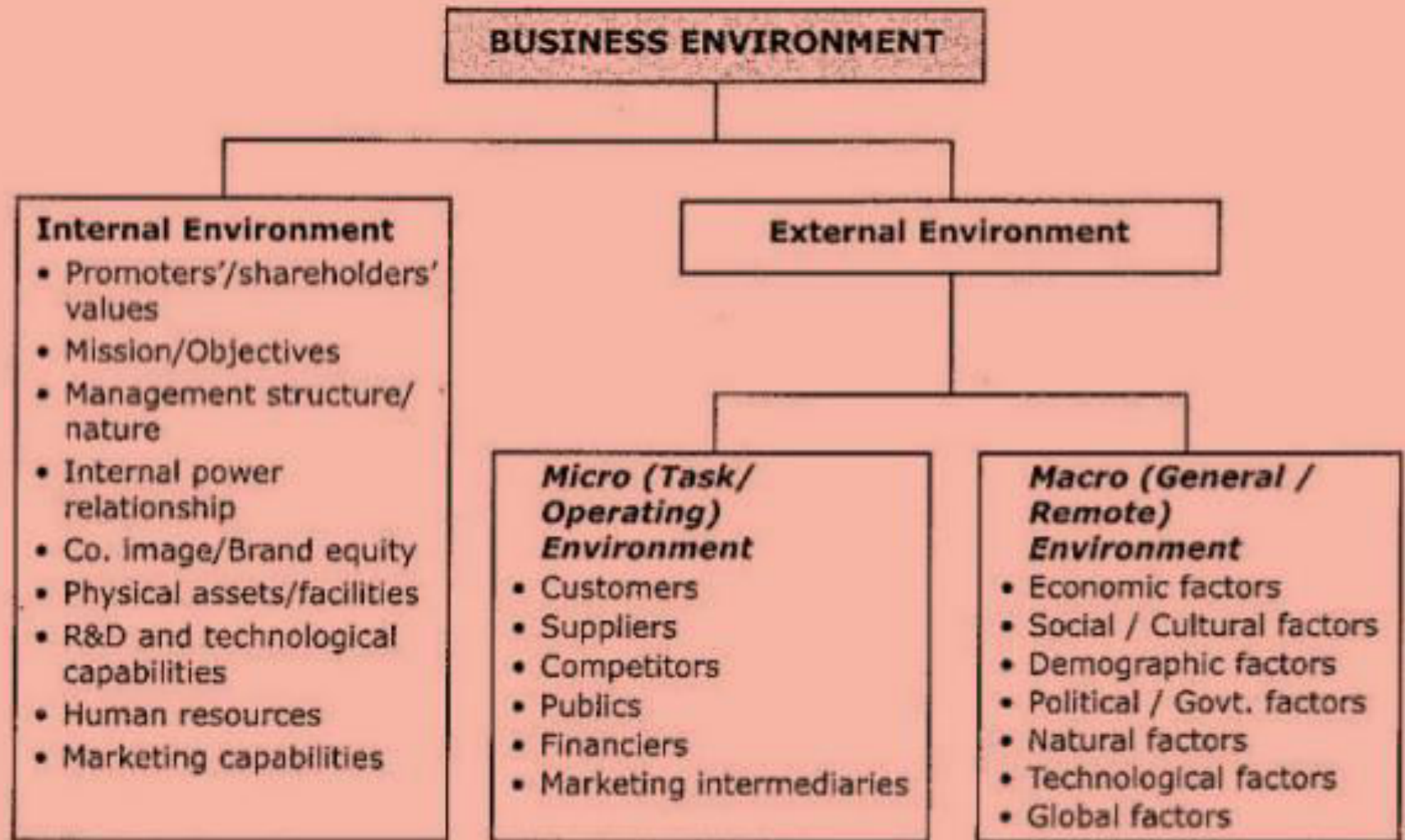


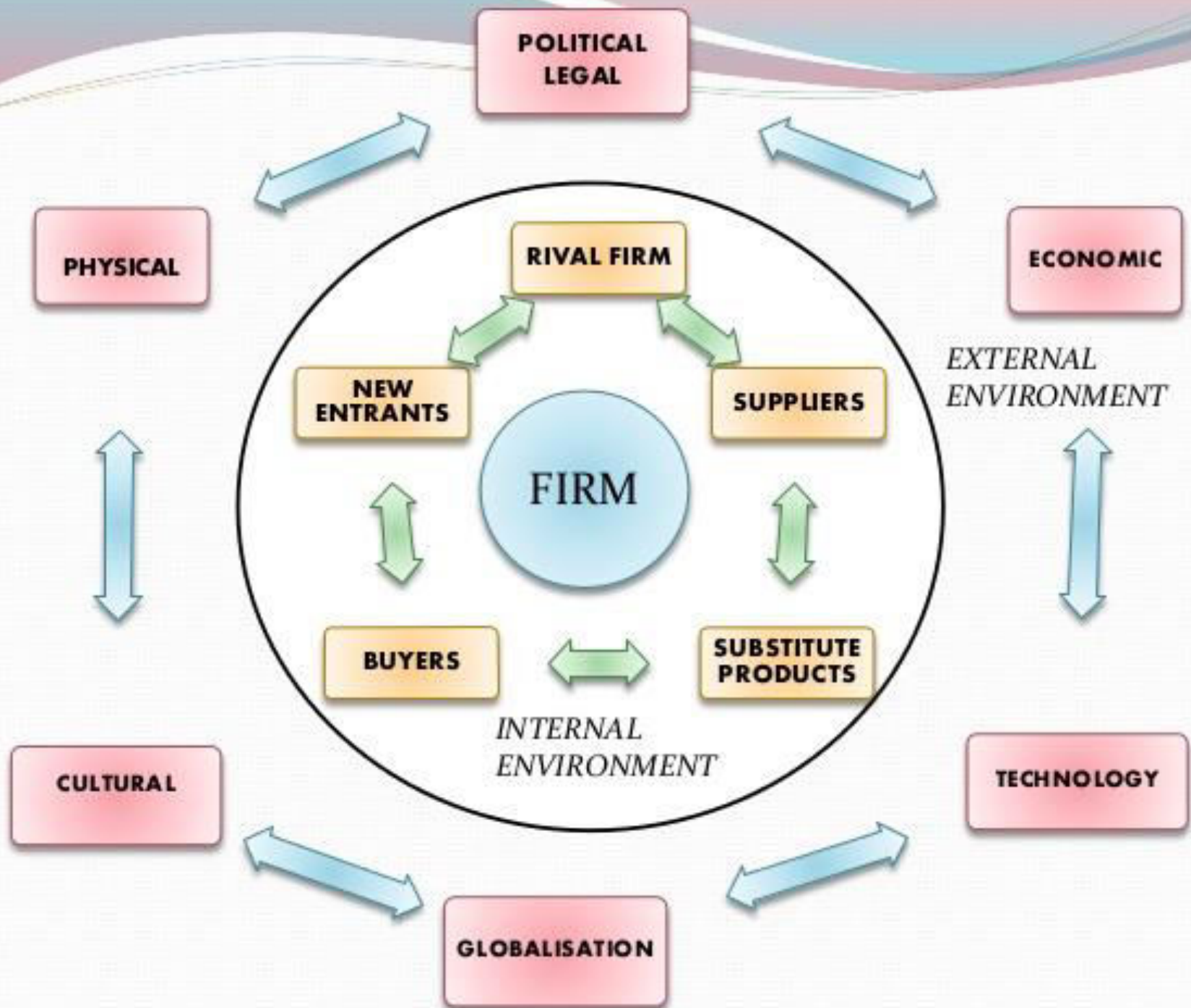


BUSINESS ENVIRONMENT

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Components of Business Environment





Factors affecting Internal Business Environment

- ◉ Value system
- ◉ Mission & objectives
- ◉ Management structure and nature
- ◉ Human resources
- ◉ Company image and brand equity
- ◉ Other factors:
 - Physical assets and facilities
 - R & D and technological capabilities
 - Marketing resources
 - Financial resources

Internal Environment

- ◉ It relates to all aspects within the boundaries of the organization and generally are within the control of top management team.
- ◉ Direct impact
- ◉ Controllable by the company
- ◉ Alter or modify

Value System

- Value System of founders and those at the helm of affairs has important bearing on
- Choice of business:
- Mission
- Objectives of the organization
- Business policies and practices



OBJECTIVES

Every business enterprise has certain objectives which regulate and generate its activities. Objectives are needed in every area where performance and results directly affect survival and prosperity of a business.

The vision of Infosys -

"To be globally respected corporation that provides best-of-breed business solutions, leveraging technology, vendors and society at large."



2. Social objectives

Business does not exist in a vacuum. It is a part of society. It cannot survive and grow without the support of society. Business must therefore discharge social responsibilities in addition to earning profits.

According to Henry Ford, "the primary aim of business should be service and subsidiary aim should be earning of profit." The social objectives of business are

**FAILURE IS THE
OPPORTUNITY
TO BEGIN AGAIN
MORE INTELLIGENTLY.**

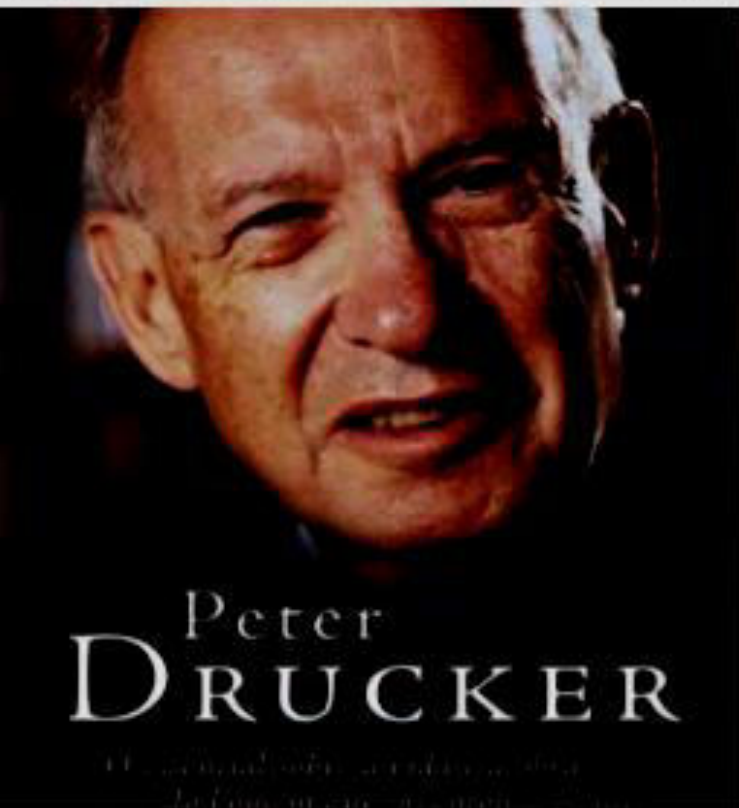
~ Henry Ford



1. Economic Objectives

Business is basically an economic activity. Therefore, its primary objectives are economic in nature. The main economic objectives of business are as follows

- (i) Earning profits**
- (ii) Creating customers**
- (iii) Innovations**



Management Structure and Nature

Factors

- ◉ Organizational structure
- ◉ Composition of the Board of Directors
- ◉ Extent of professionalization of management

Internal Power Relationship

- ◉ Support to Top Management from other Stakeholders
- ◉ Relationship between Members of BOD
- ◉ Relationship between CEOs
- ◉ Relationship between BOD and CEO

Human Resource

The characteristics of the human resources like skill, quality, morale, commitment, attitudes etc. could contribute to the strength and weakness of the organization.

The involvement, initiative etc. of the people at different levels may vary from organization to organization.

- ◉ Various HR policies
- ◉ Employee retention techniques
- ◉ Selection criteria
- ◉ Training and development
- ◉ Disputes
- ◉ Public relations
- ◉ Issues: selecting right people, offering competitive compensation packages and payroll taxes

COMPANY IMAGE AND BRAND EQUITY

- ◉ Reputation of the company
- ◉ Important dimension
- ◉ Value premium
- ◉ Memorable, recognizable and reliable

OTHER FACTORS

1) PHYSICAL ASSETS AND FACILITIES :

- Inventories
- Cash
- Equipment
- Properties owned by the business



POWER PLANT



JUST IN TIME

3) **MARKETING RESOURCES :**

- Marketing Research
- Channel Management (Intermediaries)
- Marketing Strategies.



The power to do more



Hindustan Unilever Limited

4) FINANCIAL FACTORS :

Procurement Of Finance.

Meeting working capital needs.

Allocation of finance.

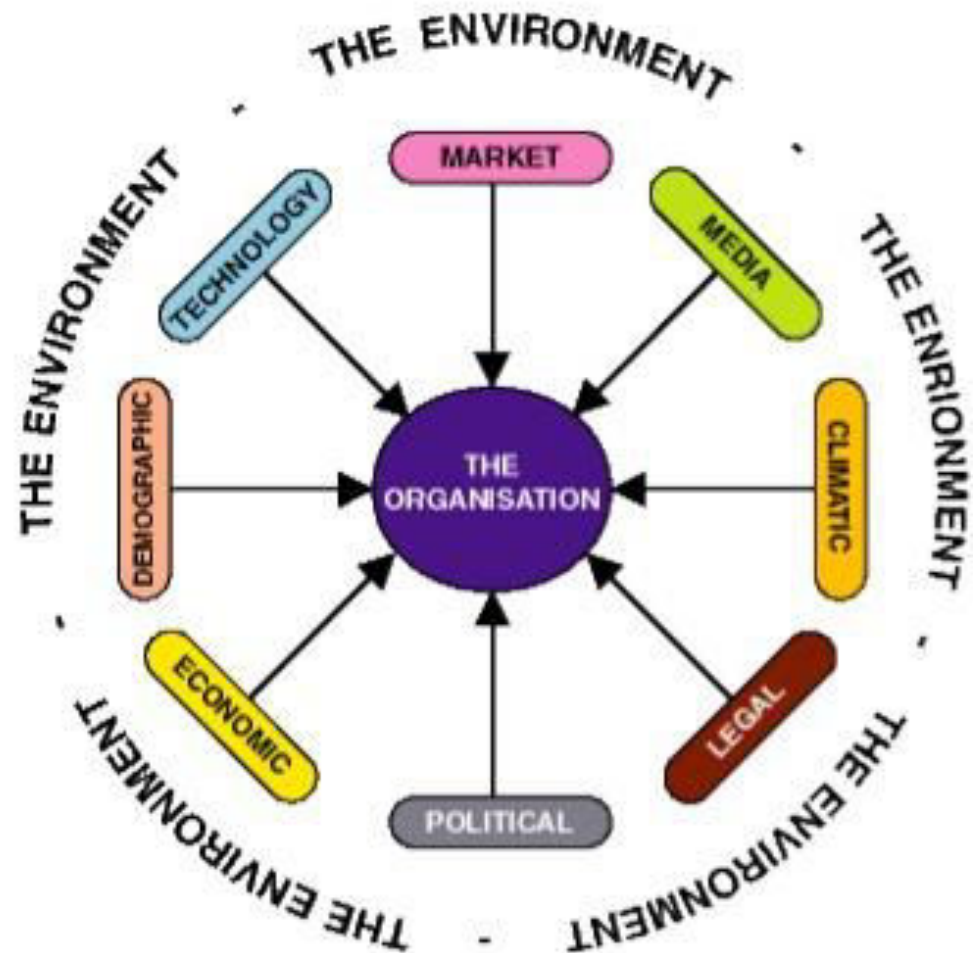


External Environments of Business

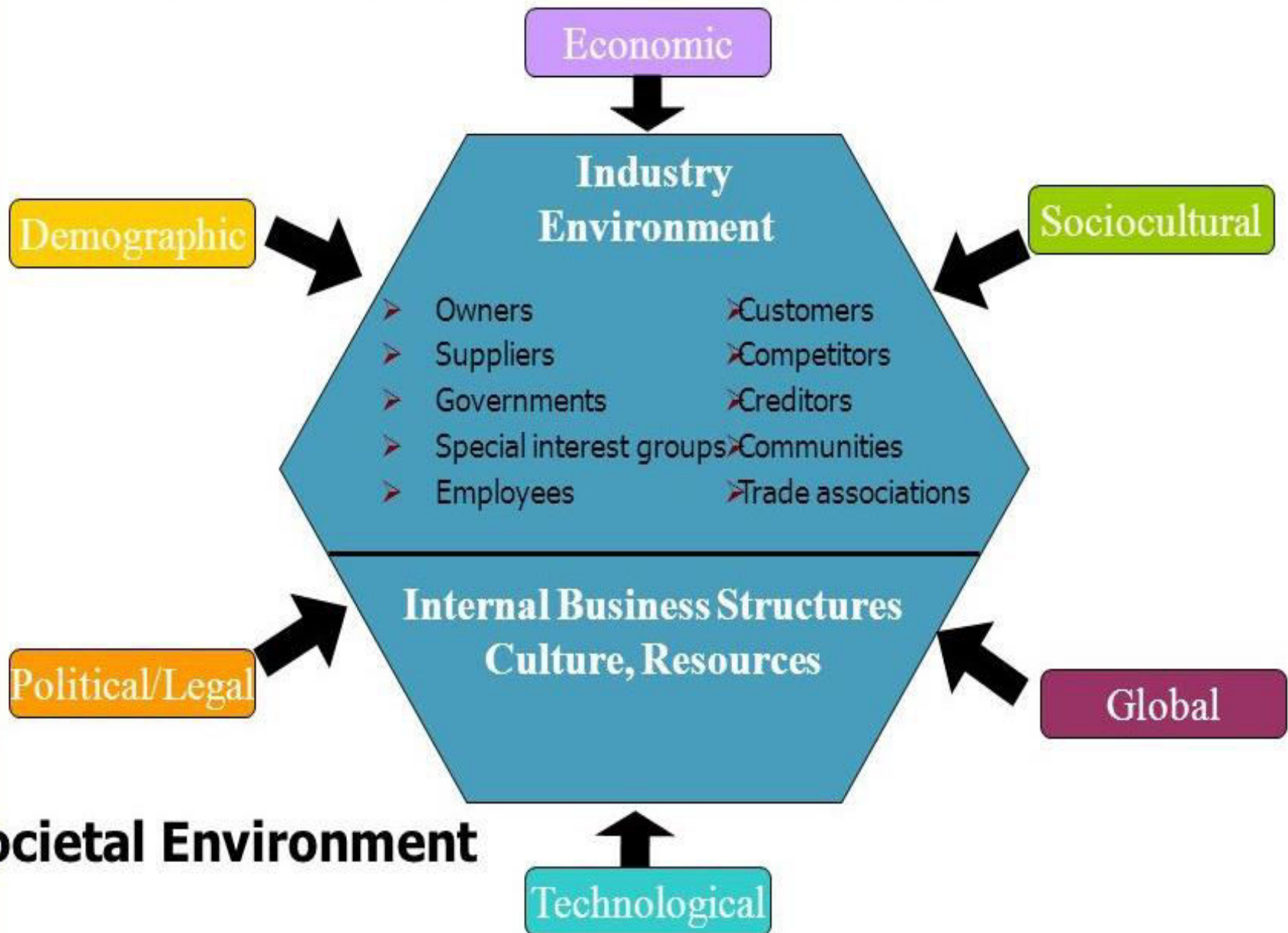



External environment

- The external environment of an organization refers to the forces and institutions outside the organization that potentially affect its performance.
- External environment has two layers –
 - general environment
 - task environment




Environmental Dimensions





Economic factors relate to the general conditions of the economy within which a firm/business operates.

These factors can be :

- Inflation
 - Interest rates
 - Growth rates
 - Unemployment levels
 - Levels of disposable incomes
 - Whether the country is experiencing boom/recession
- 

Factors which affect socio-cultural environment

1. Demographic factors
2. Attitude of people
3. Social responsibilities
4. Religion
5. Taste & Preference
6. Education
7. Family
8. Natural & Technological factors
9. Income & Lifestyle



Social culture adopted by Indians

1. Language : Sometimes a firm faces language problems like ford faced when they introduced their truck brand named 'fiera' which means ugly old woman in spanish.
2. Taste & Preference : Taste & preference of a consumer also affects a product's demand, so companies have to modify their product accordingly.
3. Dressing & Lifestyle: These factors also impact the demand for a product.
4. Religion : Religious aspects also play a important role in creating & deteriorating the demand for a product.

A company which benefited due to socio cultural environment

- ❖ McDonalds made segment according to the demographic in Indian societies.
- ❖ McDonalds made their food according to religions in India.
- ❖ McDonalds believed in Total Quality Management.
- ❖ They offer food at affordable and convenience rates which gives direct benefit to them.



The Big Mac, McDonald's signature beef burger in 119 countries, is not served in India as cows are considered sacred in Hinduism.

Legal Environment

This refers to the set of laws and regulations which influence the business organisations. The important legislations that concern the business enterprises include :

1. Companies act ,1956
2. Foreign exchange management act ,1999
3. Bureau of Indian standards act ,1986
4. Consumer protection act ,1986
5. Environment protection act
6. Prevention of food adulteration act, 1956
7. Minimum wages act,1948
8. Right to information act,2005
9. Indian income tax act,1961