

## Business Environment

\* What is Business Environment?

✓ The word "Business Environment" indicates the aggregate total of all people, organizations and other forces that are outside the power of industry but that may affect its production.

According to an anonymous writer - "Just like the universe, withhold from it the subset that describes the system and the rest is environment."

The survival and success of an organization depends upon how quickly it adapts to the changing environment.

✓ Therefore, the financial, cultural, governmental, technological and different forces which work outside an enterprise are part of its environment.

The individual customer or facing enterprises as well as the management, customer groups, opponents, media, courts and other establishments working outside an environment.

"Business environment is the aggregate of all conditions, events and influences that surround and affect it" - Keith Davis



## \* Nature of Business Environment :

### • Complex :

Business Environment is complex in nature. It consists of several factors, conditions and events which directly influence the functioning of business. These factors influence the productivity and profitability of business.

It is quite difficult to understand how a particular factor affects the operations of business. Different factors affect differently the performance of business.

### • Dynamic :

Business Environment is a dynamic concept and keeps on changing continuously. Various factors which constitute business environment are always changing from time to time.

These changes are in terms of changes in customer preference, technological improvements, new competitor's entry etc. These ever changing factors bring changes in character and shape of business environment making it dynamic.

### • Interdependence :

Factors of business environment are dependent on each other. Business environment include economic, social, legal, technological and political factors.

Changes in any one of the factors



will bring changes in several other factors. Like countries having better economy are able to enhance their technology by incurring sufficient expenditure on research and development.

• Uncertain :

Factors which constitute business environment are uncertain. It is quite difficult to predict several future conditions because no one knows what is going to happen in nature.

These factors change too frequently like changes in fashion, technology, demand and economic conditions.

• Relativity :

Business environment is relative in nature which means that it changes from one place to another and from one country to another.

Economic conditions in Canada are different from those in India. Similarly, demand for women's stalwar kameez is high in India than in U.S.A.

• System Approach :

Business environment is a systematic approach which facilitates business in its functioning. Business is a system which manufactures the products and services.

It satisfies the wants of customers.



customers by taking several inputs like raw materials, capital, labour, etc. from environment and delivering the required goods and services.

## ★ Significance of Business Environment

### • Determining opportunities and threats :

The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business environment enterprises for meeting the challenges successfully.

In other words, analysing of the environment over the period of the time help multinational companies to gain over the coming opportunities and get prepared to face threats.

### • Giving Direction for growth :

The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enable the business to identify the areas for growth and expansion of their activities.

### • Continuous Learning :

Environmental analysis makes the task of managers easier in dealing with business challenges.

The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in realm of business.



- Image Building: Environmental understanding helps the business organization in improving their image by showing their sensitivity to the environment with which they are working.

For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power.

- Meeting Competition: It helps the firm to analyse the competitors' strategies and formulate their own strategies accordingly.

- Identifying Firm's strength and weakness: Business Environment helps to identify the individual strengths and weaknesses in view of the technological and global developments.

### \* Concept of Business Environment:

Business Environment represents an aggregate of all conditions, events, and factors that surround and influence the decision-making capabilities of the business. Every organization performs under the influence of external and internal forces.

The survival and success of an organization depend on upon how quickly it adapts to the changing environment.

The External and Internal Forces keep on changing in the contemporary world in the form of economic reforms, political changes, technological innovations that keep affecting the function of business.