

A

Seminar report

On

# **Business Environment**

Submitted in partial fulfillment of the requirement for the award of degree  
Of MBA

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## **Preface**

I have made this report file on the topic Business Environment; I have tried my best to elucidate all the relevant detail to the topic to be included in the report. While in the beginning I have tried to give a general view about this topic.

My efforts and wholehearted co-corporation of each and everyone has ended on a successful note. I express my sincere gratitude to .....who assisting me throughout the preparation of this topic. I thank him for providing me the reinforcement, confidence and most importantly the track for the topic whenever I needed it.

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## Acknowledgement

I would like to thank respected Mr. .... and Mr. ....for giving me such a wonderful opportunity to expand my knowledge for my own branch and giving me guidelines to present a seminar report. It helped me a lot to realize of what we study for.

Secondly, I would like to thank my parents who patiently helped me as i went through my work and helped to modify and eliminate some of the irrelevant or un-necessary stuffs.

Thirdly, I would like to thank my friends who helped me to make my work more organized and well-stacked till the end.

Next, I would thank Microsoft for developing such a wonderful tool like MS Word. It helped my work a lot to remain error-free.

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## **Introduction**

The success of every business depends on adapting itself to the environment within which it functions. For example, when there is a change in the government policies, the business has to make the necessary changes to adapt it to the new policies.

Similarly, a change in the technology may render the existing products obsolete, as we have seen that the colour television has made the black and white television out of fashion. Again a change in the fashion or customers' taste may shift the demand in the market for a particular product.

All these aspects are external factors that are beyond the control of the business. So the business units must have to adapt themselves to these changes in order to survive and succeed in business. Hence, it is very necessary to have a clear understanding of the concept of business environment and the nature of its various components.

## **What is Business?**

Business may be understood as the organized efforts of enterprises to supply consumers with goods and services for a profit.

## **Business Environment Factors**

### **The Micro Environment of Business**

These are powers which are deeply related with company and company can control these type of environment by improving its capacity and efficiency.

#### **1. Suppliers**

Suppliers are the persons who supply raw material to company.

#### **2. Customers**

Customers are the persons who buy goods from company.

#### **3. Market Intermediaries**

Market intermediaries are those people who helps company to sell its products.

#### **4. Financial Intermediaries**

Financial intermediaries are those institutions who provide loan, credit and advance to company.

#### **5. Competitors**

Competitors are those who also sell same product of company.

#### **6. Public**

Public is those group of people who can buy or who can show their interest to buy the products of company.

### **The Macro Environment of Business**

Macro environment of business means all external factors which affects company and its business and there is no control of company on these factors.

#### **1. Economic Environment**

In economic environment, we can include govt. budget, import and export policies, economic system and economic conditions.

#### **2. Political and Governmental Environment**

In political and government environment, we can include legislature's decisions, executive's

decisions and judiciary decision which affect company's business.

### 3. Socio cultural Environment

Socio-cultural environment includes morality, religion, education, health of peoples and family importance.

### 4. Natural Environment

In natural environment, we can include season, place elements, natural resources etc.

### 5. Demographic Environment

In demographic environment, we can include size of population, growth rate of population, age composition, sex composition and family size.

### 6. Technological Environment

In technological environment, we can include ecommerce technology, online payment, Internet technology, mobile banking and 3G technology and all other new technology which affect company's business.

### 7. International Environment

## **Types of Business Environment**

### **1). Economic Environment**

survival and success of each and every business enterprise depend fully on its economic environment. The main factors that affect the economic environment are:

(a) Economic Conditions: The economic conditions of a nation refer to a set of economic factors that have great influence on business organisations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.

(b) Economic Policies: All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are

i) Industrial policy: The Industrial policy of the government covers all those principles, policies, rules, regulations and procedures, which direct and control the industrial enterprises of the country and shape the pattern of industrial development.

(ii) Fiscal policy: It includes government policy in respect of public expenditure, taxation and public debt.

(iii) Monetary policy: It includes all those activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry.

### **2) Social Environment**

The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc. Due to increase in literacy rate the consumers are becoming more conscious of the quality of the products. Due to change in family composition, more nuclear families with single child concepts have come up. This increases the demand for the different types of household goods.

### **3) Political Environment**

This includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. It sends a signal of strength, confidence to various interest groups and investors.

### **4) Legal Environment**

This refers to set of laws, regulations, which influence the business organisations and their operations. Every business organisation has to obey, and work within the framework of the law. The important legislations that concern the business enterprises include:

1. Companies Act, 1956



2. Foreign Exchange Management Act, 1999
3. The Factories Act, 1948
4. Industrial Disputes Act, 1972
5. Payment of Gratuity Act, 1972
6. Consumer Protection Act, 1986
7. Environment Protection Act
8. Competition Act, 2002

### **5) Technological Environment**

Technological environment include the methods, techniques and approaches adopted for production of goods and services and its distribution. The varying technological environments of different countries affect the designing of products. In the modern competitive age, the pace of technological changes is very fast. Hence, in order to survive and grow in the market, a business has to adopt the technological changes from time to time. Now a days infact, no firm can afford to persist with the outdated technologies.

### **6) Demographic Environment**

This refers to the size, density, distribution and growth rate of population. All these factors have a direct bearing on the demand for various goods and services. For example a country where population rate is high and children constitute a large section of population, then there is more demand for baby products. Similarly the demand of the people of cities and towns are different than the people of rural areas.

### **7) Natural Environment**

The natural environment includes geographical and ecological factors that influence the business operations. These factors include the availability of natural resources, weather and climatic condition, location aspect, topographical factors, etc. Business is greatly influenced by the nature of natural environment. For example, sugar factories are set up only at those places where sugarcane can be grown.

## Approach of Business Environment

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

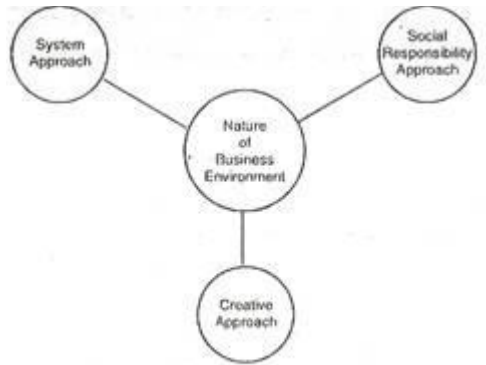


FIG. 1 : NATURE OF BUSINESS ENVIRONMENT

### (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.

## **Business Challenges**

- Managing Bottom line
- Meeting stakeholders expectations
- Developing and retaining top talent
- Creating a customer responsive organization
- Diminishing time to market
- Market agility
- Pricing and quality

## References

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