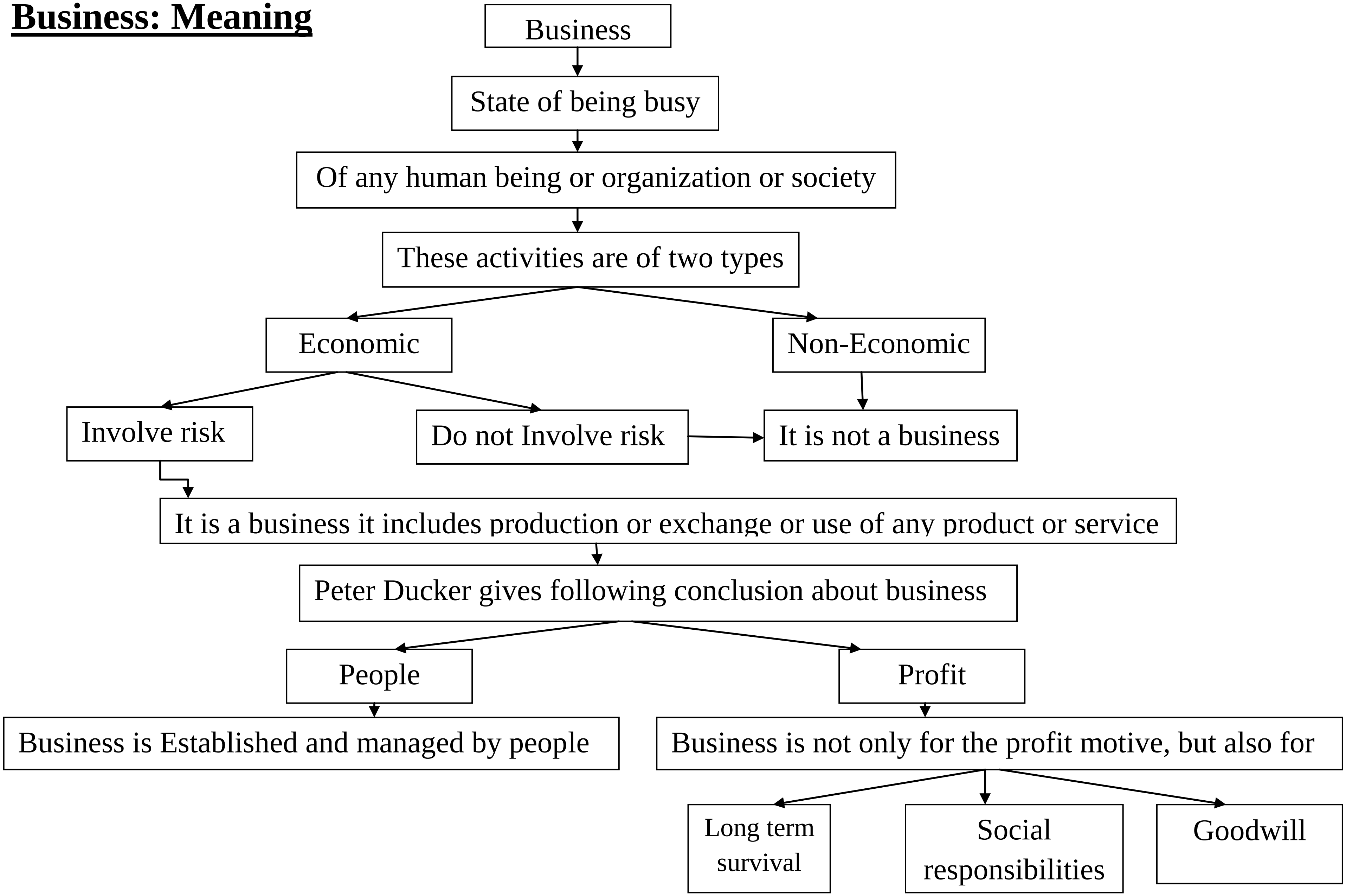
Chapter:1	Business Environment

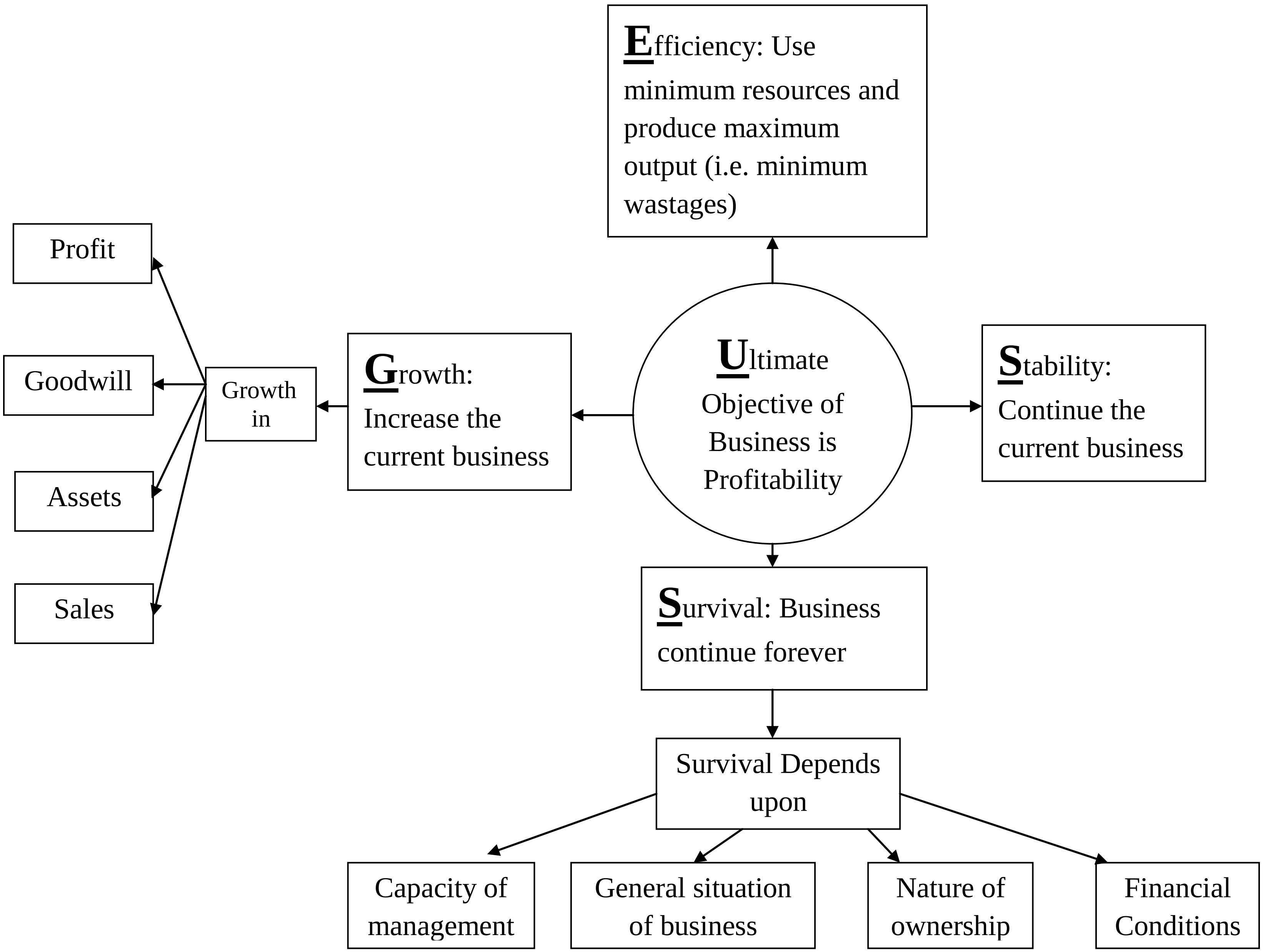
What to Study in this Chapter: (Only 5 Concepts)

1. Business
    a. Meaning
    b. Business objectives
    c. Environment effect
    d. Problem to understand Environment effect
2. Business environment
    a. Meaning
    b. Characteristics
    c. Element (It will take time)
3. PESTLE Analysis
4. Strategic response to Environment
5. Five force Model for Competitive Analysis

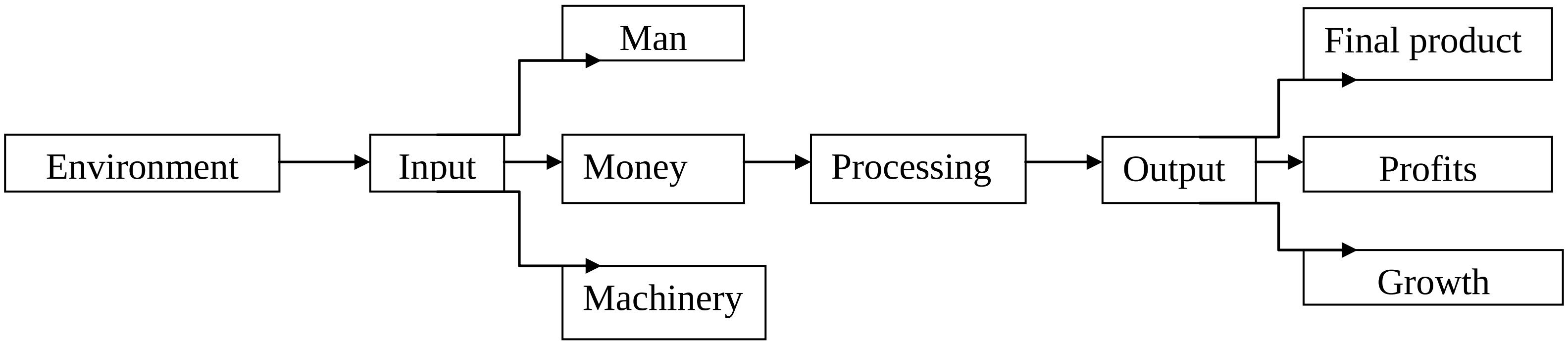
Business: Meaning



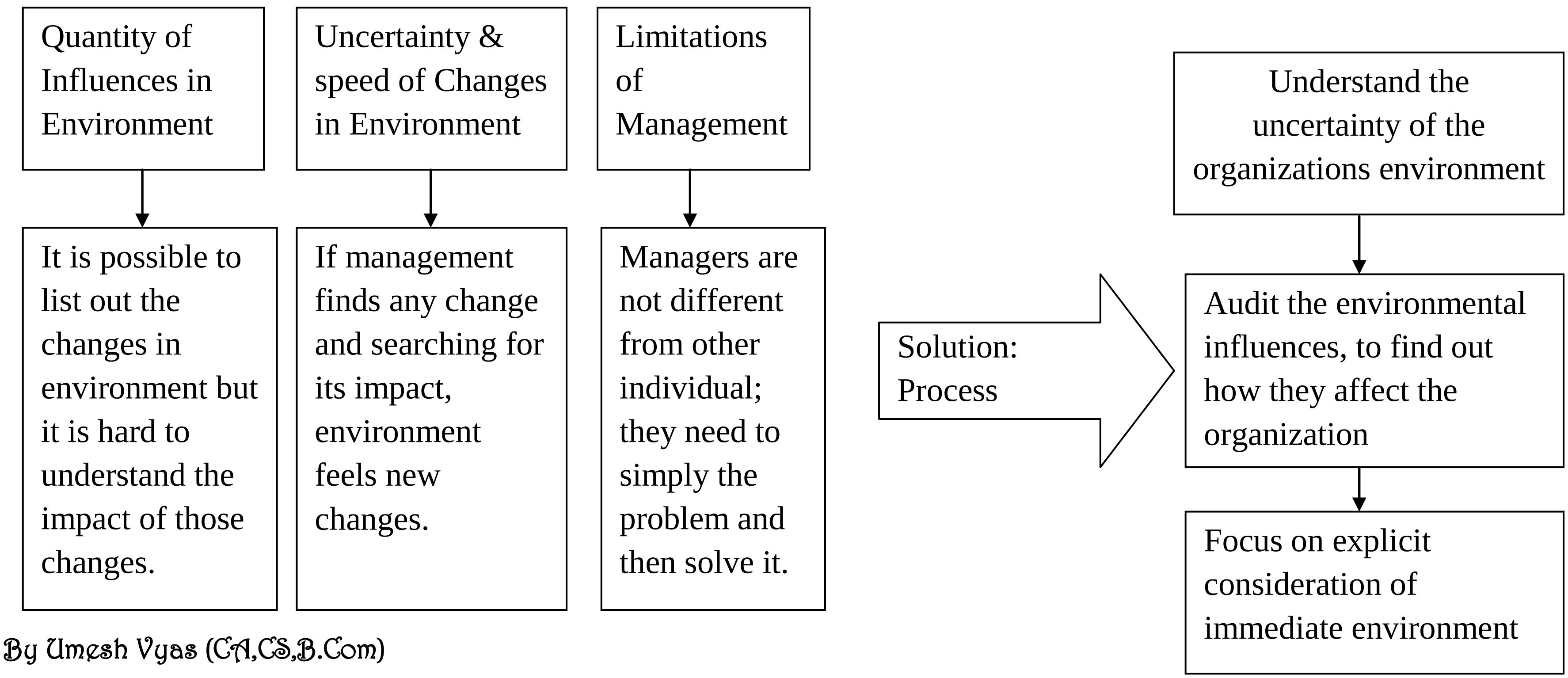
Business: Objectives (GUESS)



Business: Environmental Effect



Business: Problem to understand Environmental influences



Business Environment: Meaning and Characteristics

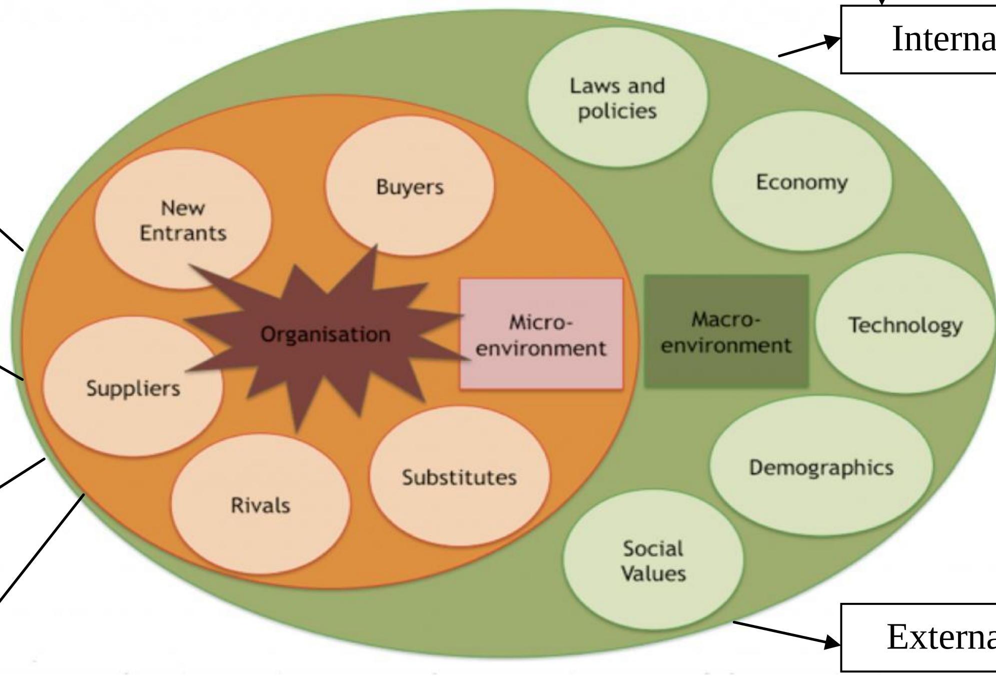
Characteristics (MRCDz)

Multifaceted: Different person has different views about Business environment

Far Reaching Impact It has long term effect

Complex: It is not easy to understand.

Dynamic: Environment Never stop



Component

Internal

Strength

Weakness

External

Opportunity

Threat

Element of Micro Environment [IPCC-SM]

Customers: Peter Ducker said that aim of business is to create customers.

- Customers are those, who use the product or service of organization
  - Organization must know:
    1. who are our customer
    2. What Benefit required by them.
    3. Their Buying pattern.

Competitors

- Direct: who sell same or similar goods
- Indirect: Who sell different Goods
  - Organization must know:
    1. who are our competitors
    2. Who is most powerful.
    3. What is their strategy and business objectives

Personal/ Organization: Pogo said we have met enemy and he

- Owners: individuals, shareholder, groups.
- BOD: In companies
- Employees: Who Actually work in organizations

Market

- Organization must know:
  1. cost structure,
  2. price sensitivity
  3. technology structures
  4. Is market mature

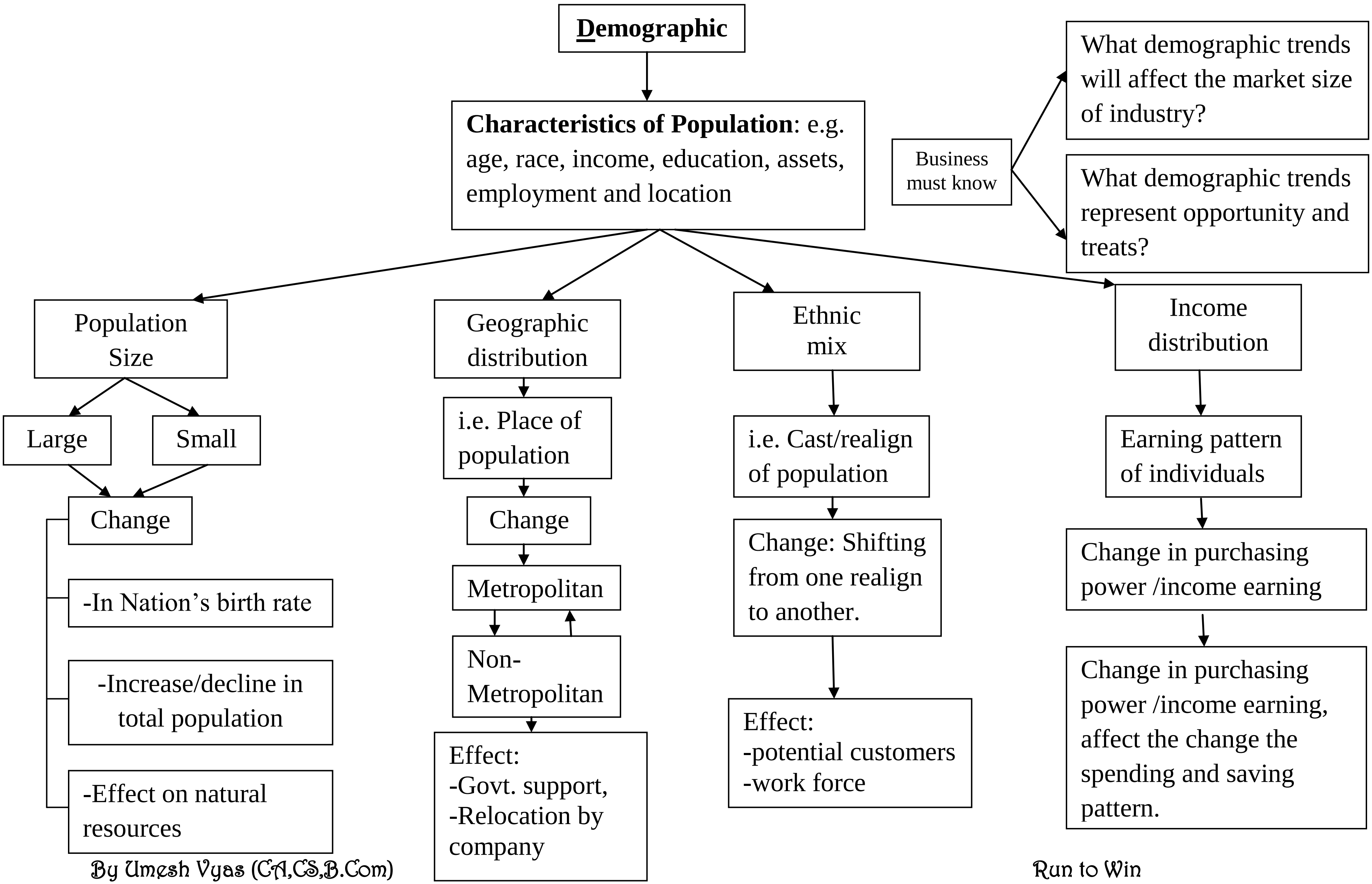
Suppliers

- They provide: RM Equipment Services, etc

Intermediate

- They are: Local retainers, Wholesaler Or Department al stores.

Element of Macro Environment: [D-PESTG]



Political legal → i.e.
- -law and order
- -Political stability
- -Practice of ruling party
- - Govt. intervention
- -Govt. policy

→ Government
→ Legal
→ Political

Economic → i.e. Nature and direction of economy in which company compete or may compete

It influences the supply, cost, quality, availability

Of money, man, material, and machine.

Socio cultural → e.g.
- -Educational level
- -awareness of rights
- -family structures
- -Role of women in society.

Technological → Factors to be considered :
1. Pull to technological change
2. opportunity arising out of change
3. Risk arising out of change

Global environment	**Globalization**
i.e. several things for several people	
i.e. integration of world into huge market	

For company it means

Compete in foreign market with foreigners

Compete in domestic market with foreigners

These companies have following characteristic :

1.Multiple units

2. Common ownership

3. Common resources pull

3.Common Strategy

Why companies go global:

1. Rapid shrinking of time and distance
2. Domestic market is not adequate and rich
3. Foreign marker is large enough to justify the foreign investments
4. Law cost and
5. Efficient resources
6. Reduced transport cost

Manifestation of globalization [BERHM-IPCC]

1. Formation of regional **B**locks:
   (eg NAFTA(North America free trade area),SAARC(South asian association of regional cooperation)
2. **E**ntrepreneur and his unit have a central economic role,
3. Infrastructural **R**esources and input at international prices
4. Market side **H**igh efficiency,
5. **M**obility of skilled resources,
6. **I**nterlinked and independent economies
7. **P**rivatization
8. **C**onfiguring anywhere in world,
9. **C**utting trade and tariff barriers

PESTLE Analysis

It Involves:

- Identifying → - **P**olitical -**E**conomic -**S**ocio-cultural -**T**echnological -**L**egal -**E**nvironmental → Influences on organization
- Provide the way of scanning these influences on → Organization or it policies

	Political	**E**conomic	**S**ocio-cultural	**T**echnological	**L**egal	**E**nvironmental
FACTOR	-Political stability -Govt. policy -Taxation policy -Trust area of political leaders -Regulatory bodies	-Economic situation -Interest Rate -Exchange Rate -Inflation -Unemployment -Specific industry factors	-Demographic -customer buying pattern -religious factors -Consumer attitudes -life style trends	-Replacement technology -Maturity of Technology -Innovation potential -Intellectual property right	-Business law -corporate law -Employment Law -Competition law -Health and safety law	-Environment law -Energy consumption -waste disposal
EFFECT	**-How the company operate**. E.g .Govt. subsidy can increase health, education and infrastructure sectors	**-How the company operate** e.g. interest cost increases cost of capital	**-How the company operate** -Demand of company's product	**-How the company operate** -Minimum efficient product level -Cost of product -Demand of Product	**- How company operate**, -Its costs -Demand of its product	**-How the company operate** Affected Industries: - Tourism -Framing -Insurance

Strategic Response to the Environment → i.e. Reaction of organization in case of Environment Changes

- Minimum Resistance
  - Not Ambitious
  - Manage to Survive
  - Simple goal oriented units
- Proceed with Caution
  - Intelligent to adopt changing need
  - Monitor & analyze Change
  - Translate their assessment in strategy for survival, stability and strength.
- Dynamic Response
  - Highly conscious and confident about their own strengths and weaknesses
  - Not merely recognize threat but convert it into opportunity

Certain important terms

Oligopoly	In this small number of only sellers may join together to have monopolistic behavior.
Kieretsus	It is a Japanese term, Kietetsus is a loosely coupled group of companies in related industry, Members are peers, Members have share in owner ship of each other, Members have common board of directors But this is different form conglomerates, consortium and association They have common strategy to prefer to do business members, both when buying and selling.

Competitive Analysis: Petor's five forces Model