1 chapter

Business Environment

Quick Revision Notes

"If you know the enemy and you know yourself, your victory will not stand in doubt; if you know Heaven and you know Earth, you may make your victory complete." - ***Sun Tzu, The Art of War***

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change (in environment)." - ***Charles Darwin***

1 Introduction to Strategic Management

Strategic Management

Strategy - A set of decisions and actions that managers take to increase their company's performance relative to rivals.

Strategic management includes:

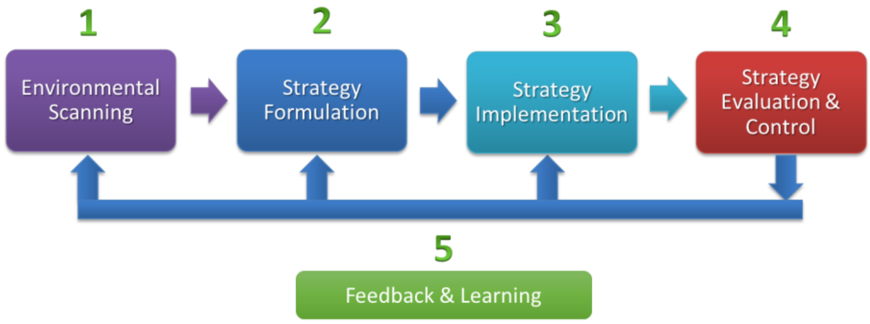
- *environmental scanning* (both external and internal),
- *strategy formulation* (strategic or long-range planning),
- *strategy implementation*, and
- *strategy evaluation & control*.

The study of strategic management emphasizes **the monitoring and evaluating of external opportunities and threats in light of an organisation's strengths and weaknesses.**

Basic Model of Strategic Management:

Strategic management consists of four basic elements:

1. **Environmental scanning**
2. **Strategy formulation**
3. **Strategy implementation**
4. **Strategy evaluation and control**
5. **Feedback and Learning**



2 Business & Its Objectives

Human activities can be classified into two broad categories as:
1 **Economic activities** - with **economic motive**, and
2 **Non-Economic activities** - with **social or psychological motive**.

Occupation

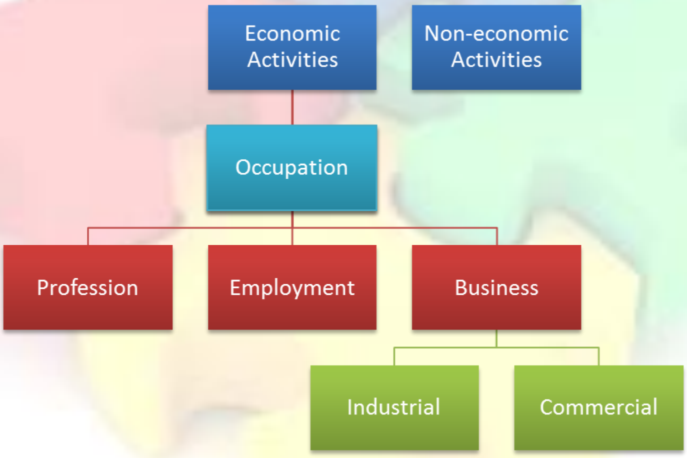
Occupation engaging in some gainful economic activity on a regular basis to earn one's livelihood.
Occupations may be classified into three broad categories:
1 **Profession** - which requires **specialised knowledge and training** to pursue it.
2 **Employment** - in which a person **works regularly for others** and gets wage/salary in return.
3 **Business** - in which **goods and services are produced, sold and exchanged** in return of money.

Business

⇨ The term 'business' refers to
- all **economic activities,**
- pursued mainly **to satisfy the material needs of society**,
- with the purpose of **earning profits**.

⇨ Include exchange of goods and services on a regular basis and carry an **element of risk** and uncertainty.

Business activities are classified into two categories:
1 **Industrial activities** - **production or extraction of goods** through utilisation of various resources; and
2 **Commercial activities** - **sale or exchange of goods and services**.



Objectives of a Business

⇨ **something which a business organization wants to achieve or accomplish**.
  - **profit**
  - **quality goods**
  - **protect the environment** etc.

⇨ **Profit** - **basic objective** of a business.

⇨ While pursuing the objective of earning profit, business units do keep the **interest of their owners, interests of its employees, customers, the community, as well as the interests of society as a whole** in view.

Thus, the objectives of business may be classified as:
a. Economic Objectives
b. Social Objectives
c. Human Objectives
d. National Objectives
e. Global Objectives

a. Economic Objective

Profit Making – through
a) Creation of customers
b) Regular innovations
c) Best possible use of resources

b. Social Objectives

1 Adoption of fair trade practices.
2 Contribution to the general welfare and upliftment of the society
3 Protecting the environment

c. Human Objectives

1 Economic well-being of the employees
2 Social and psychological satisfaction of employees
3 Development of human resources
4 Wellbeing of socially and economically backward people

d. National Objectives

1 Creation of employment
2 Promotion of social justice
3 Production according to national priority
4 Contribution to the revenue of the country
5 Self-sufficiency and Export promotion

e. Global Objectives

1 Reduce disparities among nations
2 Make available globally competitive goods and services