

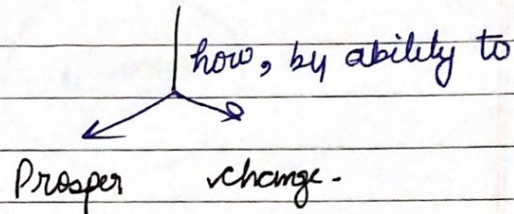
~ CHAPTER 2 - BCK (BUSINESS ENVIRONMENT) ~



- The Environment in which Business operates, influence it a lot. Hence a 360° analysis is necessary towards it.

Flowchart : ICAI

Basic challenge (business) → survival.

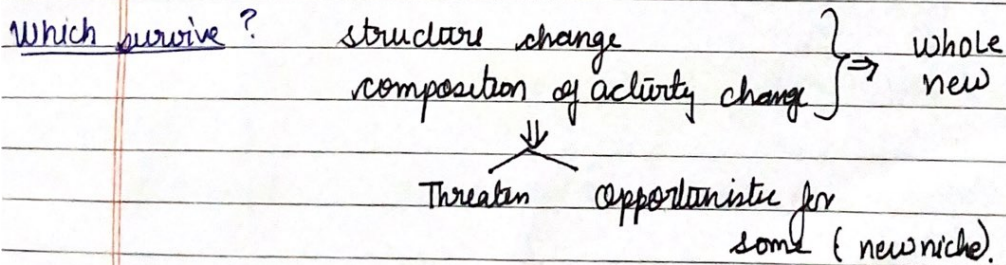


Charles Darwin : strongest → one responsive to change.

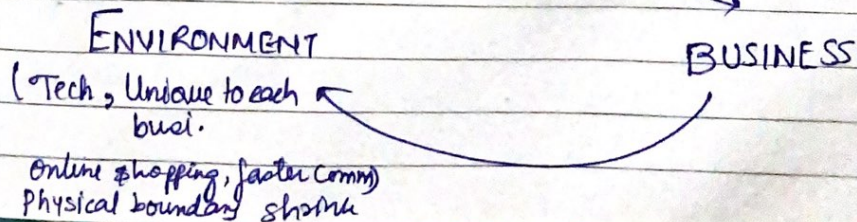
#STATS

Each year,
new firms around world = 5000000 , 137000 a day , 130,000 close .

Avg lifespan of org = 50 years

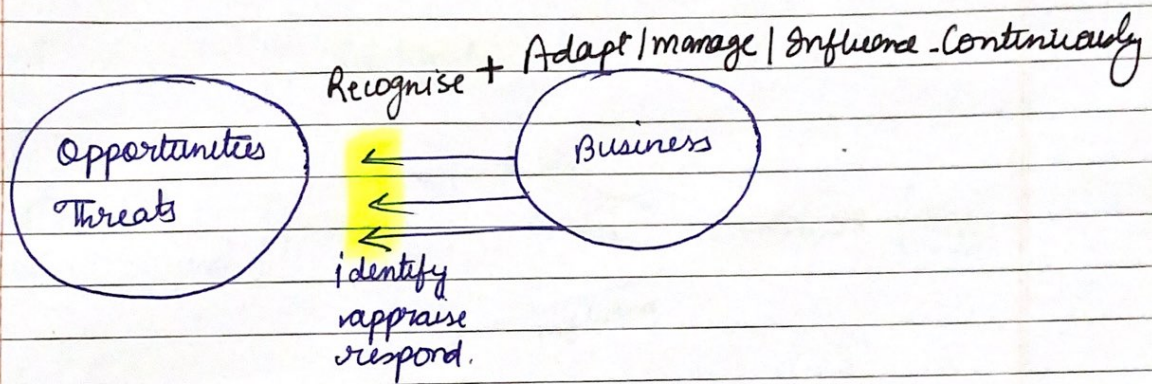
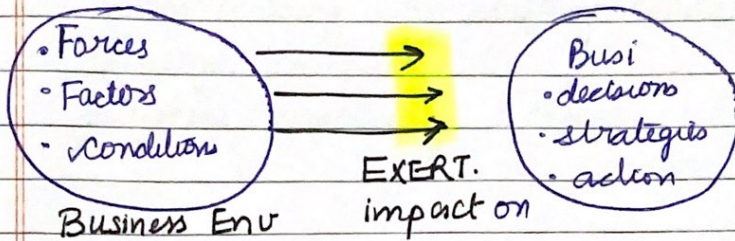


Influence



(1.2)

Business Environment



Most imp factors : Socio-economic competitors
(Integral element of business env). Technological government
suppliers, creditors (Law)

Characteristic (B-Environment)

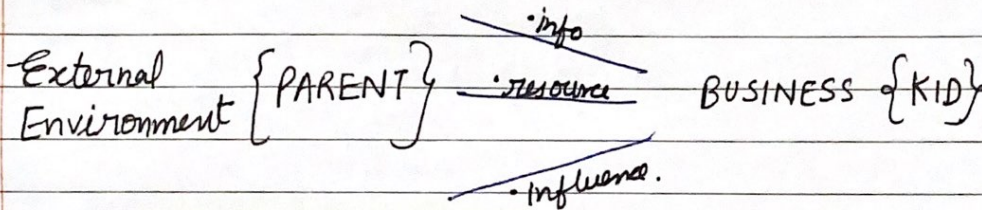
- ⊙ Complex - many factors, cant understand in totality
- ⊙ Dynamic - many influences, all keep changing continuously
- ⊙ Multifaceted - Perception : change welcome or threat
- ⊙ Far Reaching Impact :

(1.3)

Importance | Help to business

- growth , • continuous learning to meet changes
- image building (by shifting & adapting to sensitivity)
- analyse competitors
- determine opportunity & threat

Relationship



① Info Exchange → Govt Policy, Other org, Politics

Busi. scan ext env.

Generates Info

Then plans, takes decision, control accordingly

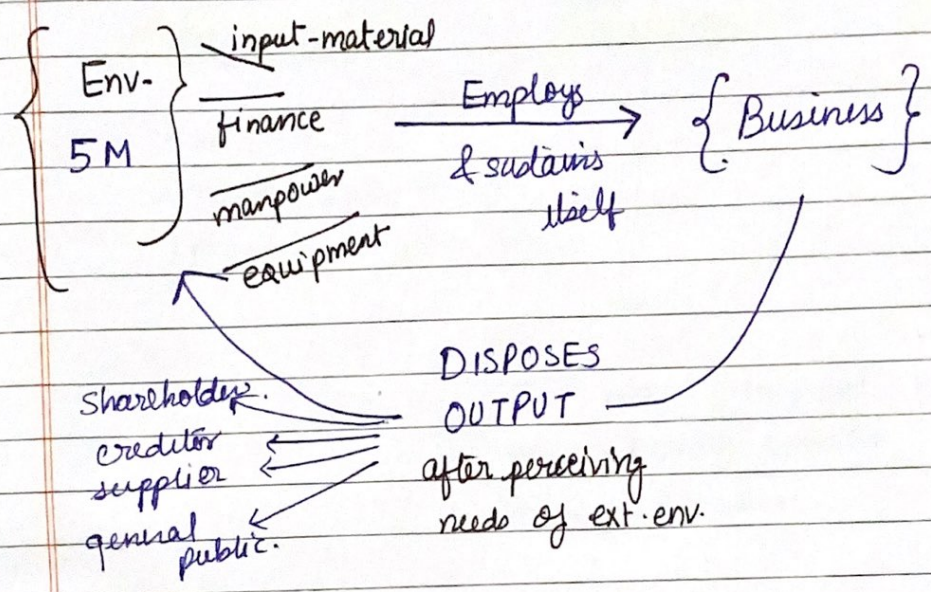
attunes structure & functioning acc to ext environment

How overcome problem of uncertainty? = Info Generation

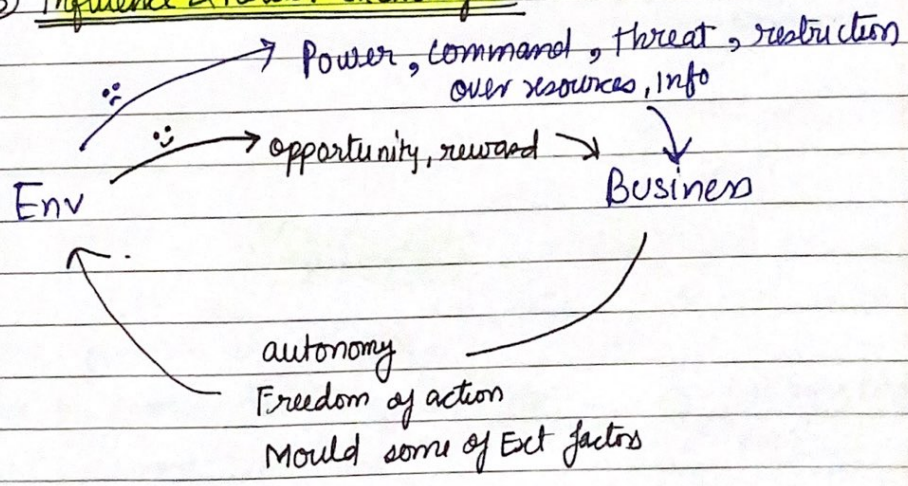
* Current & Projected Info

(1-4)

② Resources Exchange



③ Influence & Power Exchange



Nature & Magnitude of above Relationship?

↓ depend on.

→ size, age, nature of business, ownership professionalism

• Monitor - Make sense - Respond - Achieve

(1.5)

Response to Environment

3 Types

Administrative

- mission
- objective, policy develop
- proactive / reactive reaction

Competitive

- Both profit / non profit
- comp advantage establish
- Make good position

Collective

- Manage env
Uncertainty
By
Collaborating
with
Other Orgz.
- JV
- Partnership
- Costly task
- alliance
-

COLLECTIVE = Control
RESPONSE Inter
Dependency

Influence

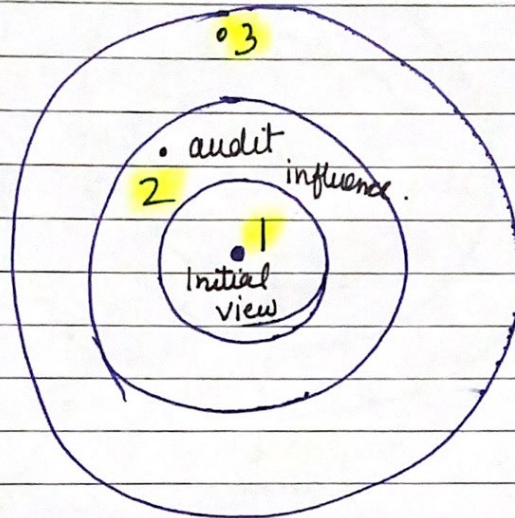
- ⊙ Cant function in isolation
- ⊙ have to negotiate their way through eg Cadbury chocolate worm complaint
- ⊙ Respect changes, complains
- ⊙ Adapt
- ⊙ Complain / negativity is OK = Rise back up.

So, How to Understand Env.?

(1.6)



{FRAMEWORK}



- 1 : Initial view : Uncertain?
complex? static? simple?
How Much?
- 2 : Audit Influences : Which factor influence most
- 3 : Final Focus : More consideration on
Immediate Env.

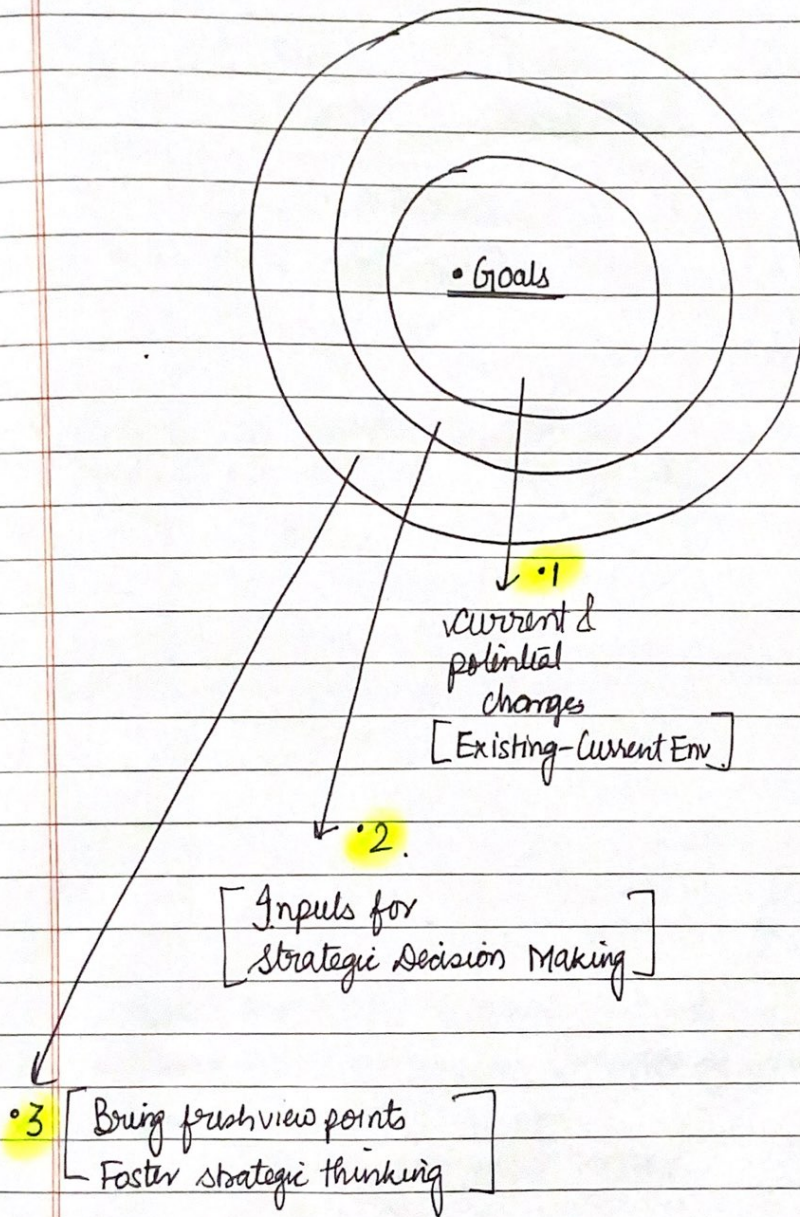
Basically, to understand



{ENV. ANALYSIS}

(1.7)

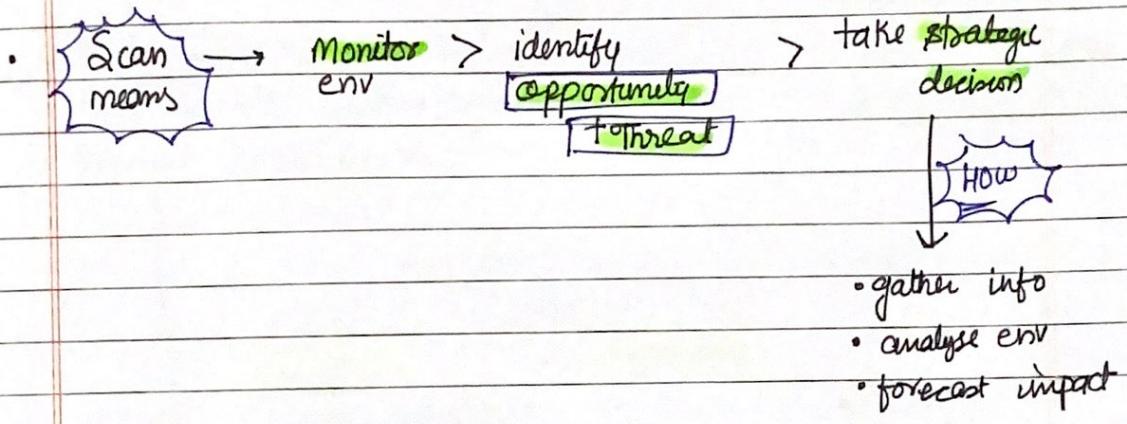
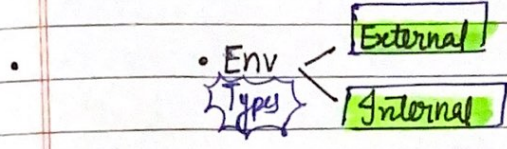
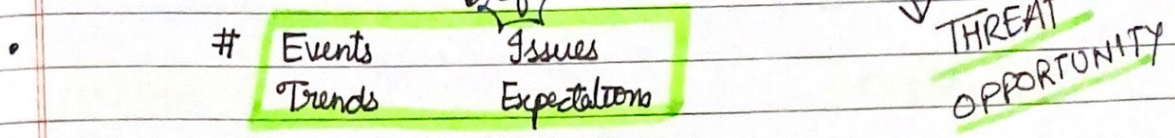
3 GOALS OF ENV. ANALYSIS



(1-8)

SCANNING

Date _____
Page _____
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Pg 2-10 chart

- Event → One time occurrence . track it
- Trend → Courses of action. Grouping of similar patterns
- Issue → current concern
In response to event | Trend
Tough to identify
- Expectation → Demand due to issues.

(1.9)

Components



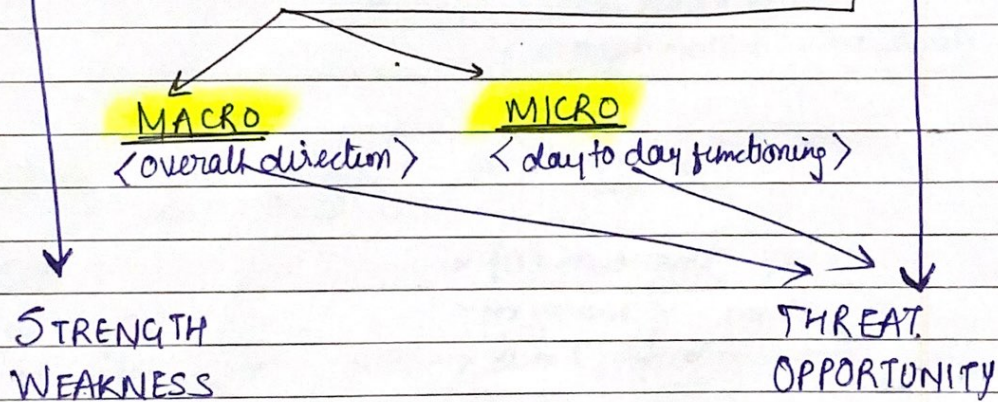
INTERNAL Env.

- Exist within the Organization
- condition / people / event / factor
- Mission / Leadership / Culture

Resources / Quality / Quantity /
 Tech. expertise / culture / org structure /
 Objective / Value System

EXTERNAL Env

- outside office walls
- influences greatly
- affects internal fn too
- affects strategy & objective of org



acronym
 { SWOT Analysis }

- systematic approach
- to understand S-W-O-T

* S & W ↔ Matched with ↔ Opp & Threat

↓
 { EFFECTIVE STRATEGY }

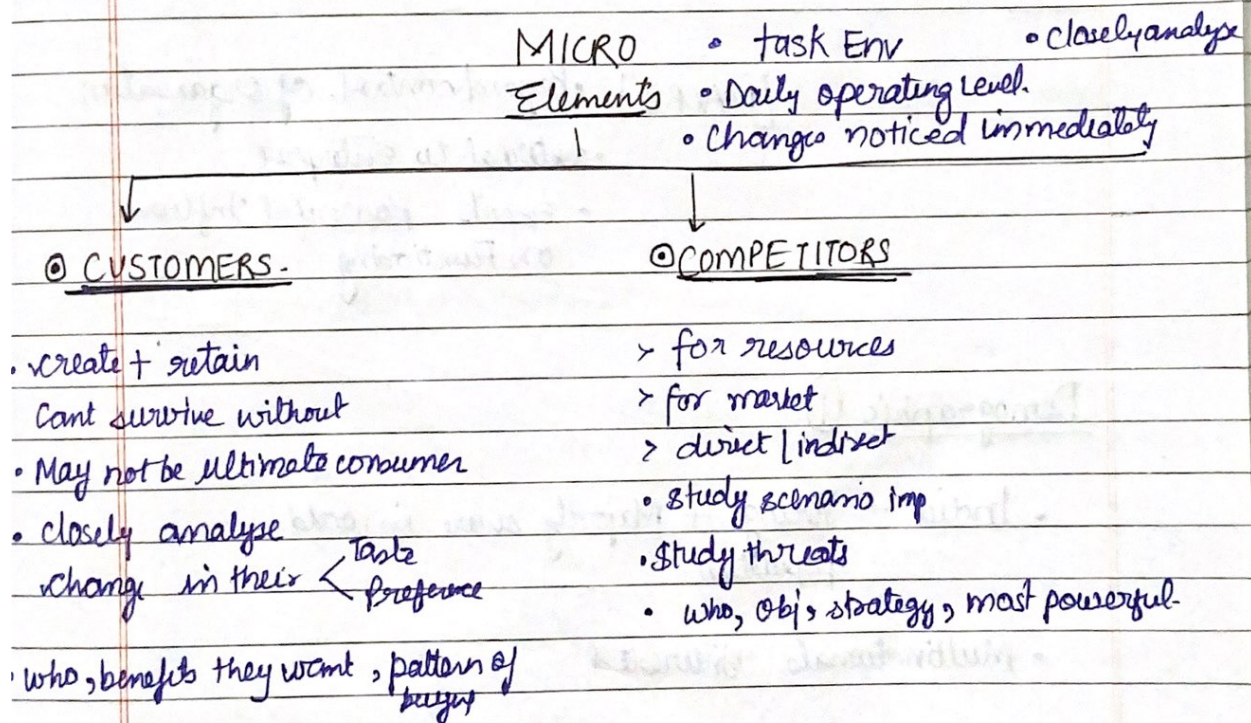
(1.10)



- | | | | |
|-----|------------|--------------|---------------|
| • S | W | O | T |
| use | • minimize | • capitalize | • neutralize. |

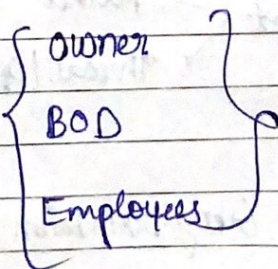
* Coming Back to Micro & Macro { within External }

Pg 2.14 flowchart



① ORGANISATION

come from outside
 take position in Job Profile
 diff people, diff interest
 self analysis of Strength Weakness



① MARKET

larger than customer
 potential size
 growth prospects
 trends, developments
 price sensitivity,
 distribution system
 maturity

(1-11)

SUPPLIERS

- Raw mat, Equip, services
- Maintain production
- Effects cost structure
- Shapes competition
- Outsource / inhouse decision

INTERMEDIARIES

- local retailers
- depalm stores
- online stores
- major influence in linking

- [MACRO]
- Beyond control of organisation
 - External to Enterprise
 - Exerts powerful influence on functioning

Demographic ①

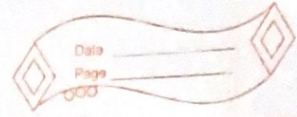
- India → Young + Majority share in world population
- Multinationals interested

age, sex ratio, education, population, distribution of Income. impact market size.

Demographic trends ← Market
Threat / opportunity

- Population Size
- Geog. Distribution
- Ethnic Mix
- Income Distribution

(1-12)



② ECONOMIC FACTOR

- capitalism / socialism / mixed / economic policies
- industrial policy / fiscal / Foreign Investment Policy

③ Political - Legal Environment

govt — changes regulatory framework, Tax, promoting, campaigns

legal — sound, good working knowledge of laws.

political — pressure, influence, movements, interest groups

④ Socio cultural Environment

tradition, value, belief, literacy, education, level, cohesiveness, corruption, family structure awareness

⑤ Technological

changed everything about business

⑥ Global # Book

(1-13)

PESTLE ANALYSIS



- framework of scanning env influences
- analysis of Macro Env Factors

like • Pol , Env , Socult , Tech , Leg , Env

Older - ~~PEST~~ analysis
no more.

- simple & quick
- encourages Management

Pestle Matrix • Pg 2.27

