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DIPLOMA IN MANAGEMENT

DIM-1

**Understanding of Business
and its Environment**

Block

1

ESSENTIALS OF BUSINESS : AN INTRODUCTION

Unit – 1

Overview and Significance of Business

Unit – 2

Objectives of Business

Unit – 3

Constituents of Business Environment

Unit – 1

Overview of Business

Overview and Significance of Business

Learning Objectives

After completion of the unit, you should be able to:

- Define human activities;
- Distinguish between economic and non-economic activities;
- Define the term ‘business’;
- Identify the nature and characteristics of business;
- Understand the social responsibilities of business; and

Structure

- 1.1 Introduction
- 1.2 Definitions
- 1.3 Evolution of Business
- 1.4 Nature and Characteristics of Business
- 1.5 Scope and Importance of Business
- 1.6 Let’s Sum-up
- 1.7 Key Terms
- 1.8 Self-Assessment Questions
- 1.9 Further Readings
- 1.10 Model Questions

1.1 Introduction

The ordinary meaning of the word business is business, i.e., any activity in which a man is busy. A man may be busy in two kinds of activities: economic and non-economic. An economic activity denotes work or effort directed towards the production of wealth. In other words, economic activity is aimed at profit. Economic activity of a man is called business. Business, therefore, means the production or purchase of goods with a view to sell them at profit. Besides, if services are rendered on payment to others, they shall be included in business. Business may be defined as a human activity directed towards producing or acquiring wealth through buying and selling of goods and services.

The term business includes trade, commerce and industry. The process of buying and selling of goods is called Trade. Such an activity may be carried on within a country when it is called home or domestic trade. It may be called

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foreign or international trade when it is carried on between two different countries. To help trade, some facilities such as storing, grading, financing, transporting and insuring are needed, these are called Commerce. Industry implies all those processes, which are responsible for the extraction and production of goods which are sold for either ultimate consumption or for further production. Business Provides Services. There are service enterprises, which provide services like domestic services and financial services, etc., to individuals and business enterprises.

Basically, all humans have needs and wants. Needs are things we can't live without, while wants are simply our desires that we can live without. We all have unlimited wants, which is true, since all of us want a new PC, a car, new graphics card, etc. that we actually do not need to live. Businesses produce goods and services to satisfy needs and wants.

Although we have unlimited wants, there are not enough resources for everyone. Resources can be split into 4 factors of production, which are:

- Land: All natural resources used to make a product or service.
- Labour: The effort of workers required to make a product or service.
- Capital: Finance, machinery and equipment required to make a product or service.
- Enterprise: Skill and risk-taking ability of the entrepreneur.

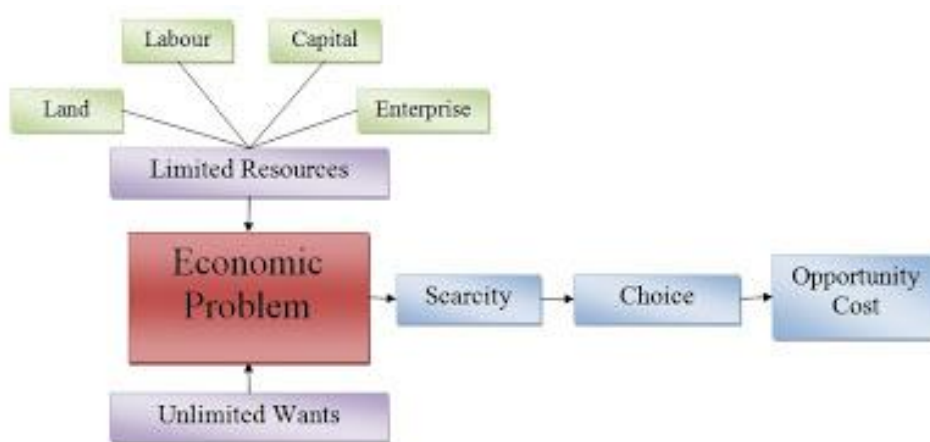
Entrepreneurs are people who combine these factors of production to make a product.

With these discussed, lets move on to the economic problem. The economic problem results from limited resources and unlimited wants. This situation causes scarcity, when there are not enough goods to satisfy the wants for everybody. Because of this, we will have to choose which wants we will satisfy (that will be of more benefit to us) and which we will not when buying things. For any choice, you will have to would have obtained if you didn't spend that money. For example, you would have got a book if you didn't buy the pen, or you would have a burger if you didn't buy the chips. Basically, item that you didn't buy is the opportunity cost. Make sure that the opportunity cost isn't higher than what you bought!

"Opportunity cost: the next best alternative given up by choosing another item."

Here is a diagram showing the whole economic problem:

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(Division of labour / Specialisation)

Because there are limited resources, we need to use them the most efficient way possible. Therefore, we now use production methods that are as fast as possible and as efficient (costs less, earns more) as possible. The main production method that we are using nowadays is known as specialization, or division of labour.

"Division of Labour / Specialisation is when the production process is split up into different tasks and each specialized worker/ machine performs one of these tasks."

Pros:

- Specialized workers are good at one task and increases efficiency and output.
- Less time is wasted switching jobs by the individual.
- Machinery also helps all jobs and can be operated 24/7.

Cons

- Boredom from doing the same job lowers efficiency.
- No flexibility because workers can only do one job and cannot do others well if needed.
- If one worker is absent and no-one can replace him, the production process stops.

1.2 Definitions

Human beings are continuously engaged in some activity or other in order to satisfy their unlimited wants. Every day we come across the word 'business' or 'businessman' directly or indirectly. Business has become essential part of modern world.

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Business is an organization or economic system where goods and services are exchanged for one another or for money. Every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit.

Stephenson defines business as, "The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants."

Lewis Henry defines business as, "Human activity directed towards producing or acquiring wealth through buying and selling of goods."

According to **Dicksee**, "Business refers to a form of activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted."

Business may be defined as "an activity involving regular production or purchase of goods and services for sale, transfer and exchange with an object of earning profit".

Thus, the term business means continuous production and distribution of goods and services with the aim of earning profits under uncertain market conditions.

1.3 Evolution of Business

Evolution of business means its origin, growth, and continuous development with expansion in various sectors that contribute and run economies.

The business evolution went through many progressive stages or so called developmental steps. In each stage of progress, it evolved itself and got more mature than its previous state. It is evident that, at every step of evolution; it expanded its scale of operations and also widened its modes of communication. It is continuously evolving since then.

Stages in Evolution of Business



The business evolution went from local stage to a global one:

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1. First, the local business evolved from its three basic sub-stages,
 - starting with a barter economy,
 - then followed by the village economy and
 - the town's economy.
2. Secondly, the regional business grew as a result of cooperation between different states.
3. Thirdly, the national business was an outcome of a business presence felt in the entire country.
4. Then, international business emerged as an answer to fulfill the scarcity of resources felt within each country.
5. Finally, an idea to see the entire world as one huge market was realized. This paved the way to form a new concept called global business.

Now let's discuss in brief each of the above-mentioned main stages that contributed towards the evolution of business.

Stage 1. Local Business

Local business is the starting stage of the evolution of business. Business had its origin since the early ages of human civilization. It began with a mere sharing of food commodities. People use to collect and store whatever surplus they had and use to seek out something they didn't have. This situation was present in various areas around the world which later gave birth to a form of business in local areas.

The local area comprise of surrounding neighbourhoods, adjacent areas where community of native people, mostly dwells, live, and remains active regularly. In general, local business can be stated as various exchanges (trade) activities happening regularly among people of a local-area.

The three sub-stages of evolution of local business:



1. Barter economy stage:
 - In barter economy stage, money is not used as a medium of exchange. Here, goods are exchanged for goods.

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- Monetary transactions are absent in barter exchange.
 - Here, the rate of exchange depends upon needs of both parties involved in a barter transaction.
 - It is the barter system of trade that laid the very foundation of a business.
2. Village economy stage:
- The village is a self-sufficient communal unit. Here, people usually live in harmony with each other and their environment by forming different cooperative social groups.
 - The village economy is mainly supported and fueled by various agricultural activities.
 - Here, people satisfy each other's requirement by trading among themselves, their basic goods and services. However, in some special cases, even gold, silver, and copper are used for trading.
 - When villagers started doing their businesses at a village level, it helped to form the world's first markets.
 - In these small markets, the villagers exchanged or sold their surplus goods.
 - This overall helps to transcend the economy from a barter stage to become a village economy.
3. Town economy stage:
- Town is a meeting ground for the majority of villages.
 - It is a place where people from different villages come together, interact and mingle.
 - This heterogeneous interaction brings the influx of new cultures and traditions, ideas, and creates better opportunities.
 - This attracts many new people, and development also starts taking place to sustain the demands of incoming masses.
 - This process gradually results in the formation of the town's economy.

Stage 2. Regional Business

Regional business is the second stage of evolution of business. In the context of this article, region is a huge landmass or an area that comprises of numerous town economies. When a business alliance of a town's economy from any specific region feels the need to extend the scope of their business, it results in business expansion at a regional level.

The meaning of regional business:

- It is a business between different areas within a country.
- It mainly includes the trade between various states, which are political divisions that make up a country.
- Here, credit sales get more importance.

- Better and economic infrastructure facilities, especially, transport and communication are required to develop it.

Stage 3. National Business

National business is the third stage of evolution of business. Nation is an organized political union of its member states.

The meaning of national business:

- It is present in the entire country. In a practical sense, it is spread in the most parts of a country.
- The business at a national level first started in England during the era of the Industrial Revolution. The joint-stock companies became very popular during this stage.
- The size of it is always large when compared with the business done at a regional level.
- It helps to make the availability of goods and services in the most parts of a country.

Stage 4. International Business

International business is the fourth stage of the evolution of business. No nation is 100% self-sufficient with its all available resources. A nation may have an abundance of some resources but may also experience scarcity of other resources. To overcome this scarcity, nations often trade among themselves. They satisfy each other's needs by supplying their surpluses and/or expertise, and in return bring home, the scanty resources.

The meaning of international business:

- It implies businesses conducted among or between different nations. Here, two or more countries do business with each other. It mainly consists of imports and exports. For example, crude oil-rich Gulf countries export their raw oil and in return import the scarce food items.
- This business is not a phenomenon of modern times. It has its origin in the ancient times. It began when merchants from different kingdoms started exploring remote parts of the old world in search of wealth and opportunities. For examples, European traders came to the south-Asia via a new sea-route in search of cheaper spices, which were in huge demand in Europe.
- It helps to improve friendly relations between different countries.
- It also helps to improve the standard of living of the people.

Today, international business has increased many folds. It is so, mostly due to

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the availability of faster modes of communication and transport, regional cooperation between countries, and adaptation of free trade policies.

Stage 5. Global Business

Global business, is the current stage of evolution of business. Global market is one big world level market. Here, the entire globe or world is considered as one huge market of opportunities. This market has the enormous levels of customer base than any other type of market. It has no borders and is almost restrictions free. All companies can sell their goods and services in this kind of one open global market. However, here, the competition is very severe. Large funds, skilled human resource, an ample amount of creativity and innovation, best quality of products and services, along with world-class logistics and marketing are required to sustain the tremendous pressures of its severity. Generally, this market is fully controlled by the rich cartels of multinational companies (MNCs).

The meaning of global business:

- It is a business in one giant world-level market.
- It is a new concept and is also referred as globalization.
- India entered the world market and started its global business in the early 1990s. Since then its importance has increased in India.
- It is the most current and latest mature stage the modern business has evolved into.

This is how business evolution took place, starting from its basic local level and arriving at a matured global stage.

Nature and Characteristics of Business

When we look around us, we observe that most of the people are engaged in various activities. Teachers teach in the schools, farmers work in the fields, workers work in the factories, drivers drive vehicles, shopkeepers sell goods, doctors attend patients and so on. In this way, people are busy during the day and sometimes during the night throughout the year. Now the question arises as to why we all keep ourselves busy. The answer is to satisfy our wants. By doing so, we either discharge various obligations or earn money through which we can buy goods and avail services.

Characteristics of Business

The essential characteristics of business are as follows:

- (i) Deals in goods and services: People in business are engaged in production and distribution of goods and services. The goods may be consumer goods like bread, butter, milk, tea, etc. or capital goods like plant, machinery, equipments, etc. The services may be in the form of transportation, banking, insurance, warehousing, advertising and so on.

- (ii) Sale or exchange of goods and services: If a person produces or buys a product for self-consumption or for gifting it to another, he is not engaged in business. But when he produces or buys goods to sell it to somebody, he is engaged in business. Thus, in business the goods and services produced or purchased must be exchanged for money or for goods (under barter system) between the buyers and sellers. Without sale or exchange of goods the activities cannot be treated as business.
- (iii) Regular exchange of goods and services: The production or buying and selling activities must be carried out on a regular basis. Normally, an isolated transaction is not treated as business. For example, if Prema sold his old car to Subhendu, it is not considered as business, unless he continues to carry buying and selling of cars on a regular basis.
- (iv) Requires investment: Every business activity requires some amount of investment in terms of land, labour or capital. These resources are utilised to produce a variety of goods and services for distribution and consumption.
- (v) Aims at earning profit: Business activities are performed with the primary objective of earning income by way of profit. Without profit it is not possible to survive for a long period. Earning of profit is also required to grow and expand the business.
- (vi) Involves risk and uncertainty of income: We know that every business aims of earning profit. The businessman who invests the various resources expects a fair amount of return. But, inspite of his/ her best efforts, the reward he/she gets is always uncertain. Sometimes he/she enjoys profits and also times may come when he suffers heavy losses. This happens because the future is unpredictable and businessperson has practically no control over certain factors that affects his/her earnings.

1.5 Scope and Importance of Business

Scope of Business:

The scope of a business usually covers several departments and covers a lot of different areas, depending on the organization. For example, many corporations own several businesses and companies, meaning the corporation's business scope is quite large and potentially covers multiple products and markets. Smaller businesses, such as family-owned stores, have a smaller business scope as they are focused primarily on acquiring goods wholesale and selling those goods on to consumers at retail prices.

When starting a business, it is important to understand its scope of operation to write a proper business plan. For the sake of profits, most businesses engage in activities or focus on products and services that maximize their income. For

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example, a company that sells parts for appliances but does not offer servicing since doing both might spread its workforce too thin or negatively affect its profit margin. On the other hand, a business might decide to expand its scope to include services or products when it identifies a demand for such.

Importance of Business:

- i. **Products Growth:** All business activities directed towards the production of goods and services in betterment of business organization as a whole.
- ii. **Efficient Use of Resources:** Organizations play a vital role in the efficient use of factors of productions and other resources and thus reduced the cost of production of goods.
- iii. **Technological Improvements:** A good organization provides for the optimum use of technologies improvements.
- iv. **Creative thinking:** Creative thinking is eminently essential for all types of organization for long term sustainability and growth. It stimulates independence creative thinking in various departments of production.
- v. **Use of skilled salesman:** Another importance of business organization is that it is very useful in providing skilled salesmanship for satisfying the various needs of the customers.
- vi. **Quick decisions:** The business organization makes easy to take quick decisions.
- vii. **Recognition of the problem:** The recognition of the problem, selection of the solution, issuing of the necessary orders can be taken in the right time.
- viii. **Fixing of responsibility:** One of the most important things of business organization is that fixing of responsibility can easily be pin pointed.
- ix. **Feed back:** An organization makes it possible to take decisions in the right time about production and thus may take feedback. Before making any decision organization always research the market and combine the facts.
- x. **Minimum cost:** The organizations always try to attain the goals and objectives of the business at the minimum cost.

1.6 Let's Sum-up

Business in general is considered as a human activity directed towards producing or acquiring wealth through buying and selling of goods and services. The notion of business is always comprehensive and as such it includes trade, commerce and industry. All of us are engaged in same kind of activity or other in order to satisfy our needs and wants. Every day we come across the word 'business' or 'businessman' directly or indirectly. Business has become essential part of modern life in 21st century society. Evolution of business includes its origin, growth and continuous development with expansion in various sectors that contribute and run economics. In the process

of evolution, business has move from local business to global business.

While starting a business, it is important to understand its nature, scope, importance and characteristics etc. For the purpose of making business activities successful, a good business always vitally stimulates independence creative thinking along with sound decisions for consistent performance improvement. Modern business organizations aim to attain the goals and objectives through enhancing quality, value addition and minimising the cost.

1.7 Key Terms

- **Business:** A business, also known as an enterprise, agency or a firm, is an entity involved in the provision of goods and/or services to consumers.
- **Economic Environment:** The economic environment consists of external factors in a business' market and the broader economy that can influence a business.
- **Non-economic Environment:** Non-economic environment is related to all the non-economic issues of business in a country
- **Division of Labour:** The division of labour or specialization is the separation of tasks in any economic system so that participants may specialize. Individuals, organizations, and nations are endowed with or acquire specialized capabilities and either form combinations or trade to take advantage of the capabilities of others in addition to their own.
- **International Business:** International business comprises all commercial transactions that take place between two or more regions, countries and nations beyond their political boundaries.
- **Global Business:** Global business refers to international trade whereas a global business is a company doing business across the world.

1.8 Self-Assessment Questions

1. Explain the concept of 'division of labour / specialisation'. Why it is considered to be important?

Ans: _____

Unit – 2

Objectives of Business

Objectives Of Business

Learning Objectives

After completion of the unit, you should be able to:

- Define business objectives
- Understand the need, importance and scope of business objectives
- Appreciate and apply SMART principles in setting objectives

Structure

- 2.1 Introduction
- 2.2 Definitions
- 2.3 Need and Importance of Objectives
- 2.4 Characteristics of Objectives
- 2.5 Classifications of Objectives
- 2.6 Hierarchy of Objectives
- 2.7 Factors Affecting Objectives
- 2.8 Guidelines for Setting Objectives
- 2.9 SMART Principle
- 2.10 Let's Sum-up
- 2.11 Key Terms
- 2.12 Self-Assessment Questions
- 2.13 Further Readings
- 2.14 Model Questions

2.1 Introduction

Every business exists in the society to fulfil certain needs, wants and desires of the people at large. No business organisation functions in a vacuum. Business is an integral part of the social and ecological system and, therefore, its decisions and performance are influenced by a host of numerous factors. To serve the society and all its segments concerned, business needs to set its own goals or objectives in a systematic manner. So, objective setting is considered to be of utmost importance for all businesses across all sectors of the economy. Business is all about reaping profit from the opportunities available in its own environment. Every business operates in a particular environment and each business unit has a distinct environment under which it functions. A change in environment presents opportunity to some and threat to others. Sometimes, in

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the same industry, a relevant change in environment can have a favourable or the opposite impact on different units of the same unit.

2.2 Definitions

A business objective is a detailed picture of a step you plan to take in order to achieve a stated aim. These need to be SMART in order for the business to know what progress it has made towards achieving the objective: Specific - clear and easy to understand. Measurable - i.e. able to be quantified.

2.3 Need and Importance of Objectives

Objectives give the business a **clearly defined target**. Plans can then be made to achieve these targets. This can motivate the employees. It also enables the business to measure the progress towards to its stated aims.

The main objectives that a business might have are:

- **Survival:** A short term objective, probably for small business just starting out, or when a new firm enters the market or at a time of crisis.
- **Profit maximization:** Try to make the most profit possible – most like to be the aim of the owners and shareholders.
- **Profit Satisficing:** try to make enough profit to keep the owners comfortable – probably the aim of smaller businesses whose owners do not want to work longer hours.
- **Sales Growth:** where the business tries to make as many sales as possible. This may be because the managers believe that the survival of the business depends on being large. Large businesses can also benefit from economies of scale.

A business may find that some of their objectives conflict with one and other:

- Growth versus profit: for example, achieving higher sales in the short term (e.g. by cutting prices) will reduce short-term profit.
- Short-term versus long-term: for example, a business may decide to accept lower cash flows in the short-term whilst it invests heavily in new products or plant and equipment.
- Large investors in the Stock Exchange are often accused of looking too much at short-term objectives and company performance rather than investing in a business for the long-term.

Alternative Aims and Objectives

Not all businesses seek profit or growth. Some organisations have alternative objectives.

Examples of other objectives:

- **Ethical and socially responsible objectives:** organisations like the Co-op or the Body Shop have objectives which are based on their beliefs on how one should treat the environment and people who are less fortunate.
- **Public sector corporations** are run to not only generate a profit but provide a service to the public. This service will need to meet the needs of the less well off in society or help improve the ability of the economy to function: e.g. cheap and accessible transport service.
- **Public sector organizations** that monitor or control private sector activities have objectives that are to ensure that the business they are monitoring comply with the laws laid down.
- **Health care and education establishments:** their objectives are to provide a service – most private schools for instance have charitable status. Their aim is the enhancement of their pupils through education.
- **Charities and voluntary organizations:** their aims and objectives are led by the beliefs they stand for.

Changing Objectives

A business may change its objectives over time due to the following reasons:

- A business may achieve an objective and will need to move onto another one (e.g. survival in the first year may lead to an objective of increasing profit in the second year).
- The competitive environment might change, with the launch of new products from competitors.
- Technology might change product designs, so sales and production targets might need to change.

2.4 Characteristics of Objectives

Setting of objectives is an essential part of the business. In fact management process begins with setting organizational objectives. Strategic planning is applied to every aspect of the business in order to meet its objectives.

The following are the features of business objectives:

1. Objectives should be understandable: In order for a company to establish a business objective, it must first understand where it stands and where it has been. It then determines what its goals are and how it will attain them.

Once the objectives are set, it must be properly understood by the team members because it helps in proper implementation for achievement of the objectives.

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The business objectives should be made in an understandable way. This helps in communicating your objectives to your investors, employees, partners etc. Without this communication of business objectives, it becomes very difficult to reach them.

2. Objectives should be measurable:

Objectives of an organization must be measurable. Unless the objectives are set the organisation will not be able to compare the actual performance with the planned target. Objectives give the business a clearly defined target.

It also enables the business to measure the progress towards to its stated aims. To avoid this, organization must state the objectives that are capable of being measured in terms of performance.

3. Hierarchy of objectives:

Hierarchy means level. Business objectives are structured according to its hierarchy. All the objectives are not equally important. It should be achieved according to its priority and importance. The most important objective should be achieved first.

For example:

In a hierarchy survival of a business firm comes first following growth and then the prestige and goodwill.

4. Multiplicity of objectives:

Business does not have a single objective. They are multiple in natures. The primary objective of every business is profit followed with customer satisfaction. Business also has objectives towards society that comprises of employees, shareholders, creditors, government etc. Business objectives are classified as organic objectives, economic objectives, social objectives, human objectives and national objectives.

5. Achievable:

Business goals must be achievable. The organisation should frame those goals, which can be achieved taking into consideration its capabilities and resources. The objective must be feasible enough to keep team members motivated to strive towards its achievement. While setting the objectives, the organisation must concentrate on the limitations also.

6. Objectives should be specific:

Objectives must be specific in terms of time, quality and quantity. Specific objectives help in the accomplishment of those objectives in the specified time frame and resource availability. If the objectives are specific it gives precise results.

Specific objectives help in understanding the objectives in the correct manner. Specific objectives help the firm to understand where they stand with respect to the completion of the objective.

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7. Quantitative and Qualitative:

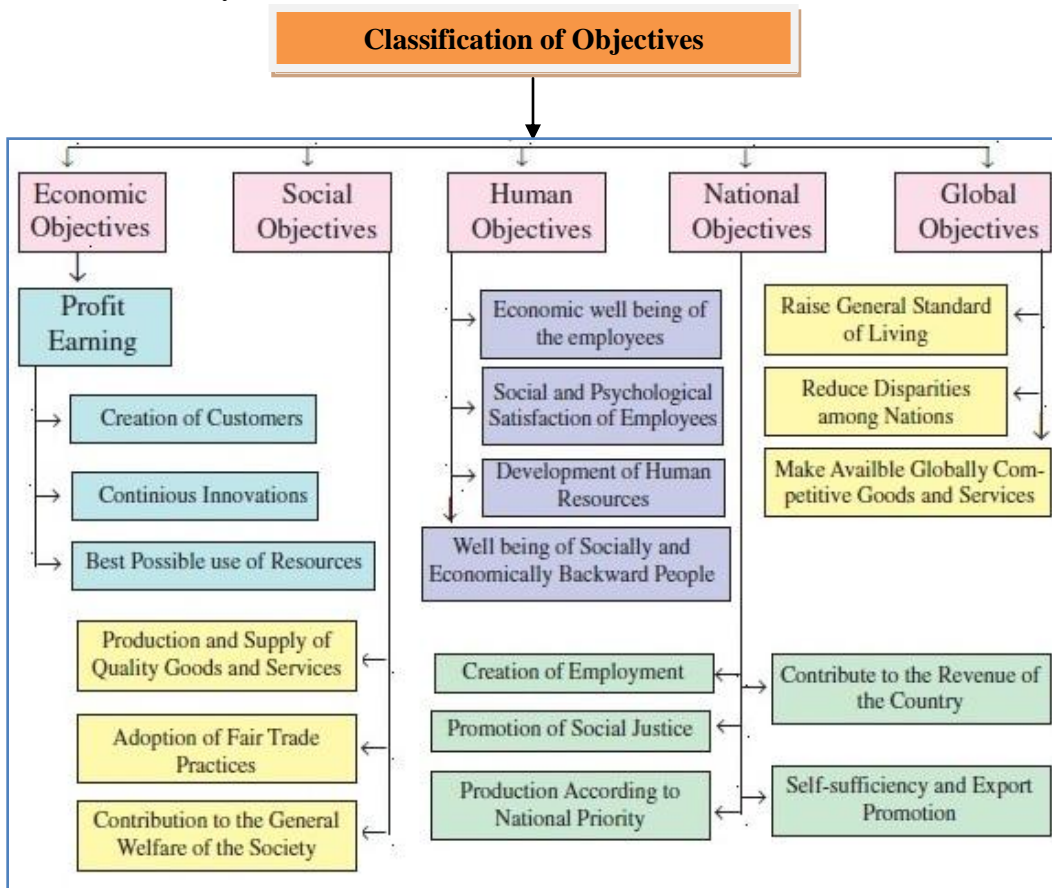
Objectives can be expressed in quantitative and qualitative terms i.e. volume, number or value terms, increase in sales, market share, rate of production etc. are the examples of quantitative objectives. Some objectives are qualitative in nature such as goodwill, worker's job satisfaction etc.

8. Flexible:

Flexibility means, 'that keeps on changing'. Business objectives should be flexible. It must not be rigid. Business environment keeps on changing. Therefore the objectives should be changed or modified according to the changing situation. The objectives must be able to reframe in the light of changes in the environment.

2.5 Classifications of Objectives

All the business activities are performed with some objectives. The objectives of business may be classified as –



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ECONOMIC OBJECTIVES

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.

Profit Earning

Profit is the lifeblood of business, without which no business can survive in a competitive market. Thus, profit making is the primary objective for which a business unit is brought into existence. Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits.

In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows:

- i. Creation of customers:** A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.
- ii. Continuous innovations:** Business is highly dynamic and an enterprise can continue to be successful only by adopting itself to change in its environment. Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Reduction in cost and increase in sales gives more profit to the businessman. Use of power looms in place of handlooms, use of tractors in place of hand implements in farms etc. are the results of innovation.
- iii. Best possible use of resources:** As you know, to run any business you must have sufficient capital or funds. The amount of capital may be used to buy machinery and raw materials, to employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines. This objective can be achieved by employing efficient workers, making full use of machines and minimizing wastage of raw materials.

SOCIAL OBJECTIVES

Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society. No activity of the business should be aimed at giving any kind of trouble to the society. Social objectives of business

include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

Objectives Of Business

- i. Production and supply of quality goods and services:** Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business. The objective of business should be to produce better quality goods and supply them at the right time and at a right price. They should charge the price according to the quality of the goods and services provided to the society.
- ii. Adoption of fair trade practices:** In every society, activities such as hoarding, black-marketing and overcharging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.
- iii. Contribution to the general welfare of the society:** Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges for better education, opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

HUMAN OBJECTIVES

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

- i. Economic well being of the employees:** In business employees must be provided with fair remuneration and incentives for performance, benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.
- ii. Social and psychological satisfaction of employees:** It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging,

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putting the right person in the right job and reducing the monotony of work. Further, grievances of employees should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

- iii. **Development of human resources:** Employees as human beings always want to grow professionally. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its employees.
- iv. **Well being of socially and economically backward people:** Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance, vocational training programme may be arranged to improve the earning capacity of backward people in the community. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

NATIONAL OBJECTIVES

Being an important part of the national economy, every business must have the objective of fulfilling national goals and aspirations. The following are the national objectives of business.

- i. **Creation of employment:** One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.
- ii. **Promotion of social justice:** As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. She/he is also expected to provide equal opportunities to all the employees to work and progress. Towards this objective special attention must be paid to weaker and backward sections of the society.
- iii. **Production according to national priority:** Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the Government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.
- iv. **Contribute to the revenue of the country:** The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.
- v. **Self-sufficiency and Export Promotion:** To help the country to become

self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business unit should aim at increasing exports and adding to the foreign exchange reserves of the country.

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GLOBAL OBJECTIVES

Earlier India had a very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export–import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced. This change has brought about increased competition in the market. Today because of globalisation the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

- i. Raise general standard of living:** Growth of business activities across national borders makes available quality goods at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.
- ii. Reduce disparities among nations:** Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries. It can foster their industrial and economic growth.
- iii. Make available globally competitive goods and services:** Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

2.6 Hierarchy of Objectives

Objectives have a hierarchy. They can be set at different levels of organization. They can be at following levels:

- 1. Corporate level objectives:** They are strategic objective set by top management. They defined long-term desired outcomes. They consist of vision, mission and strategy. They are stated broadly.
 - **Vision:** It states the reason for the existence of the organization. It defends the scope and boundaries of the present business of organization. It is the purpose of the organization.

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- **Strategy:** It is a broad action plan for achieving objectives. It provide long-term direction and scope to an organization.
2. **Business units level objectives:** They are set for each strategic business unit(SBU).They defined the business of the organization. They are desired outcomes for each SBU over long term in particular markets. They are set for key result areas, such as profit, market share, sales. They follow from corporate level organization.

SBU level objectives deal with the following aspects for each SBU:

- Long-term profanity
 - Market share growth
 - Product category scope: product line and items
 - Positioning among competitive
 - Now business opportunity etc.
3. **Function level objective:** They set specific targets for each function of SBU. The function can be operation, marketing, finance, human resources, research and development. They follow from SBU objectives.
- Lowering cost of production
 - Market coverage in the chosen segment
 - Level of customer satisfaction
 - Fund generation
 - Programmes for human resources development
 - New products to be launched
 - Advertising and sales promotion targets etc.
4. **Individual level objective:** They are related to daily or weekly perforation of each employee. They follow from functional objectives. They deal with :
- Level of output per employee
 - Reject and waste
 - Sales per salesperson
 - Career planning and development etc.

2.7 Factors Affecting Objectives

Important factors affecting business objective formulation are:

1. **Size of the organization:** Bigger size makes that objective formulation process complex.
2. **Value system of top management:** The objective formulation is affective by the value system of top management. Their philosophy, attitudes,

aspiration and needs influence objective. Philosophy reflects the creed of the organization. It specific basic beliefs, values, aspiration and philosophical priorities of managers.

3. **Level of management:** Organizational objectives are set by managers. Different levels of managers set different kinds of objectives.
 - Top level managers (board of director/general managers): They are involved in determining vision, mission, strategy and overall objectives.
 - Middle level managers (SBU managers): They are involved in setting key result area objectives for strategic business units.
 - Lower level managers (Functional heads): They are involved setting specific operational objectives for functions.
4. **Organization culture:** Culture is a system of shared set of values, beliefs and norms that guide behavior. Organization culture is indicated by autonomy, mutuality of interests, climate of trust, feeling of belongings, team work, open communication, collaboration, and performance based reward system risk taking and human focus. Objective formulation is affected by organizational culture.
5. **Environment forces:** External environment forces affect objective formulation. They can be:
 - Political, such as government policies and regulation, laws.
 - Economics, such as competition in the market place and economic policies.
 - Social-cultural, such as population forces and social cultural values.
 - Technological, such as level of technology and speed of technical change.

Internal environmental forces that affect objective formulation are resources availability, competency and power relationship within the organization.

6. **Past situation:** The objective formulation process is very much affected by situational variable. Objectives differ according to situation. Situation keeps on changing. So do objectives. Past situation of the organization serve as precedent for objective formulation.

2.8 Guidelines for Setting Objectives

Goals imply a purpose or a direction, whereas objectives must be measurable. Often achieving a goal will require several specific objectives to be met. If you have multiple goals in your business (almost everyone does), then you will need to prioritise them.

Business goals and objectives define the purpose of your business and, once identified, should be revisited on a regular basis to ensure you remain focused.

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Goals and objectives must be balanced between personal, social, environmental and financial components of the business and should be unique to that business.

The following provides further information about setting goals and objectives, including ensuring the objectives are 'SMART', that is:

- **Specific** - detail what is to be achieved
- **Measurable** - so they can be compared with actual results
- **Achievable** - avoid overly optimistic goals
- **Realistic** - make sure objectives are 'do-able'
- **Time bound** - put a timeframe on achieving the objective

Goals must be prioritised and it is important to distinguish between levels of planning to ensure your plan and goals address:

- **Strategic decisions** - these provide direction and purpose and focus on the 'big picture' for your business. They concern the long-term (5-20 year timeframe) future of the business and are the basis of annual planning to set directions.
- **Tactical decisions** - these involve choice and decisions. They are often made each season and become the steps the business takes in the medium-term to achieve future goals.
- **Operational decisions** - these relate to the day-to-day operation of a station property and are often made in 'real time'. They include decisions that need to be made quickly to allow the property to adjust to change (for example, in seasonal conditions or commodity prices).

Pastoral business managers are usually very good at tactical and operational decision making, but often steer clear of the more difficult but important long-term strategic decision making and goal setting.

Guidelines to planning the business goals and objectives

The goals and objectives must incorporate all aspects of the business including:

- business structure
- financial management
- production management and enterprise mix
- natural resource management
- marketing management
- family and staff management
- risk management.

What to measure and when

A key requirement to preparing goals and objectives is to ensure they are measurable. It is important to establish concrete criteria for measuring progress toward the attainment of each goal you set. Without the ability to measure your progress you will not be able to determine whether you are on the right track.

To measure your progress towards or the achievement of your goals and objectives, you must assess all aspects of the business plan that has measurable targets or key performance indicators (KPIs).

The frequency of measuring will depend on the particular target. For example, operational short term measures may require twice weekly measuring, such as water levels/quality. Financial performance may require monthly assessment, such as cash flow budgets – how actual cash flow compares with budgeted performance. Overall business analysis requires annual review and an assessment of performance against KPI's and specific targets

2.9 SMART Principle

S - Specific: A specific goal has a much greater chance of being accomplished than a general goal. To set a specific goal you must answer the six “W” questions:

- Who: Who is involved?
- What: What do I want to accomplish?
- Where: Identify a location.
- When: Establish a time frame.
- Which: Identify requirements and constraints.
- Why: Specific reasons, purpose or benefits of accomplishing the goal.

EXAMPLE: A general goal would be, “Get in shape.” But a specific goal would say, “Join a health club and workout 3 days a week.

M – Measurable: Establish concrete criteria for measuring progress toward the attainment of each goal you set. When you measure your progress, you stay on track, reach your target dates, and experience the exhilaration of achievement that spurs you on to continued effort required to reach your goal.

To determine if your goal is measurable, ask questions such as.....

- How much? How many?
- How will I know when it is accomplished?

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A - Attainable – When you identify goals that are most important to you, you begin to figure out ways you can make them come true. You develop the attitudes, abilities, skills, and financial capacity to reach them. You begin seeing previously overlooked opportunities to bring yourself closer to the achievement of your goals.

You can attain most any goal you set when you plan your steps wisely and establish a time frame that allows you to carry out those steps. Goals that may have seemed far away and out of reach eventually move closer and become attainable, not because your goals shrink, but because you grow and expand to match them. When you list your goals you build your self-image. You see yourself as worthy of these goals, and develop the traits and personality that allow you to possess them.

R - Realistic- To be realistic, a goal must represent an objective toward which you are both *willing* and *able* to work. A goal can be both high and realistic; you are the only one who can decide just how high your goal should be. But be sure that every goal represents substantial progress.

A high goal is frequently easier to reach than a low one because a low goal exerts low motivational force. Some of the hardest jobs you ever accomplished actually seem easy simply because they were a labor of love.

T - Timely – A goal should be grounded within a time frame. With no time frame tied to it there’s no sense of urgency. If you want to lose 10 lbs, when do you want to lose it by? “Someday” won’t work. But if you anchor it within a timeframe, “by May 1st”, then you’ve set your unconscious mind into motion to begin working on the goal. Your goal is probably realistic if you truly *believe* that it can be accomplished. Additional ways to know if your goal is realistic is to determine if you have accomplished anything similar in the past or ask yourself what conditions would have to exist to accomplish this goal.

T can also stand for Tangible – A goal is tangible when you can experience it with one of the senses, that is, taste, touch, smell, sight or hearing. When your goal is tangible you have a better chance of making it specific and measurable and thus attainable.

2.10 Let’s Sum-up

Setting of objectives is an essential part of the business. In fact management process begins with setting organizational objectives. Managerial planning is applied to every aspect of the business in order to meet its objectives.

2.11 Key Terms

- **Economic objectives:** Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective
- **Profit Earning:** Profit is the lifeblood of business, without which no business can survive in a competitive market.
- **Social Objectives:** Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society.
- **Human Objectives:** Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training.

2.12 Self-Assessment Questions

1. Identify the distinguished characteristic features of modern business with suitable examples?

Ans: _____

2. How SMART principles can be applied to set business objectives?

Ans: _____

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2.13 Further Readings

1. Cherunilam, Francis, *Business Environment: Text and Cases*, Himalaya Pub. House, Mumbai
2. Paul, Justin, *Business Environment: Text and Cases*, Tata McGraw-Hill, New Delhi

2.14 Model Questions

1. Should business objectives follow a single pattern of hierarchy applicable to all businesses across all the sectors of the economy?
2. Should Businesses have social objectives? If so, explain why or why not?
3. Write short notes on:
 - i. Corporate level objectives
 - ii. Factors affecting objectives

Unit – 3

Constituents of Business Environment

Constituents of Business Environment

Learning Objectives

The students will be able to understand the concept of business environment its meaning, scope and importance.

Structure

- 3.1 Introduction
- 3.2 Business Environment: Emerging Order
- 3.3 Technological Environment
- 3.4 Economic Environment
- 3.5 Political Environment
- 3.6 Socio-cultural Environment
- 3.7 Natural Environment
- 3.8 Let's Sum-up
- 3.9 Key Terms
- 3.10 Self-Assessment Questions
- 3.11 Further Readings
- 3.12 Model Questions

3.1 Introduction

Business is an important institution in society. Be it for the supply of goods or services, creation of employment opportunities, offer of better quality life, or contribution to the economic growth of a country, the role of business is crucial. So the first question arises in anyone's mind is what really a business is? The following definition is an attempt to provide appropriate answer.

To understand any business the critical step is to explore all the factors related to business and properly judging its impact on the business. There are many factors and forces which have considerable impact on any business. All these forces come under one word called environment. Hence understanding the business means understanding its environment. Environment refers to all external forces which have a bearing on the functioning of business.

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A Business is nothing more than a person or group of persons properly organized to produce or distribute goods or services. The study of business is the study of activities involved in the production or distribution of goods and services-buying, selling, financing, personnel and the like.

3.2 Business Environment: Emerging Order

Internationalization or globalization of business has become a subject of very serious discussion in the national economic policies and corporate board room. International trade is growing faster than world output and international investment is growing much faster than global trade.

Globalization means several things to several people. For some it is a new paradigm - a set of fresh belief, working methods and economic, political and socio-cultural realities in which the previous assumptions are no longer valid. For developing countries, it means integration with world economy. In simple economic terms, globalization refers to the process of integration of world into one huge market. Such unification calls for removal of all trade barriers among countries. Hence, globalization aims at removing isolations of different economies.

Globalization is a new phenomenon to India. We were for long time content in serving internal market which has been vast. Domestic production was insufficient to feed the vast market. We were compelled to import in order to supplement domestic production. We were also exporting to other countries, but our exports were composed of traditional commodities and the direction was mainly erstwhile communist block. Globalization did hardly exist during past five decades. There are other reasons too, which made us within the country's boundaries. For a long time, we did not have industries of the number and magnitude to think of globalization. Vibrant economy filled with robust industries is a pre-requisite for internalization. Secondly, for the past five decades, we followed an economic policy which did not encourage competitive spirit among our industrialists. In the name of self-reliance, import substitution, swadheshi and economic sovereignty, we encouraged domestic industries to prosper, however inefficient they were. We gave those licenses, fixed quotas, imposed tariffs and offered subsidies generously. We put several restrictions on foreign companies desiring to enter Indian soil. This continued till 1990. In 1991, the new industrial policy paved the way for globalization in our economy. The number of global companies entered in India was 164 on 31st December 1991. Major Indian Industries also set their subsidiaries abroad. The major Indian player in global arena is Ranbaxy, Essar Gujarat, Arvind Mills, Ballarpur Industries, UB, Reddy's lab and Aditya Birla Group. The process rate increased in late 90s and is now at its youth.

The world trade organization was established on 1st Jan. 1995. Governments had concluded the Uruguay Round Negotiations on 15th December 1993 and Ministers had given their political backing to the results by signing the final act at a meeting in Marrakesh, Morocco in April 1994. The ‘Marrakesh Declaration’ of 15th April 1994, affirmed that the results of the Uruguay Round Would “Strengthen the world economy and Income growth throughout the world”. The WTO is the embodiment of the Uruguay Round results and the successor to the General Agreement on tariffs and trade. We briefly discuss the different types of business environment that need to be studied by a firm.

3.3 Technological Environment

Among all the segments of environment, technological environment exerts considerable influence on business. Thus this section requires more devotion.

J.K. Galbraith defines technology as a systematic application of scientific or other organized knowledge to practical tasks. During the last 150 years, technology has developed beyond anybody’s comprehensions. Year 1983 was particularly considered by scientists as the year of scientific success. In this year scientists put a billion dollars technology into space, produced the world’s first test-tube triplets and obtained evidence of another solar system. A major breakthrough was achieved in the field of genetic engineering to cure dwarfism. Technology, thus, is the most dramatic force shaping the destiny of people and business all over the world.

3.4 Economic Environment

Economic Environment refers to all those economic factors, which have a bearing on the functioning of a business. Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods. Naturally, the dependence of business on the economic environment is total and is not surprising because, as it is rightly said, business is one unit of the total economy.

Economic environment influences the business to a great extent. It refers to all those economic factors which affect the functioning of a business unit. Dependence of business on economic environment is total — i.e. for input and also to sell the finished goods. Trained economists supplying the Macro economic forecast and research are found in major companies in manufacturing, commerce and finance which prove the importance of economic environment in business. The following factors constitute economic environment of business:

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- (a) Economic system
- (b) Economic planning
- (c) Industry
- (d) Agriculture
- (e) Infrastructure
- (f) Financial & fiscal sectors
- (g) Removal of regional imbalances
- (h) Price & distribution controls
- (i) Economic reforms
- (j) Human resource and
- (k) Per capita income and national income

The state became the encourager of savings and also an important investor and the owner of capital. Since the state was to be the primary agent of economic change, it followed that private sector activities had to be strictly regulated and controlled to conform to the objectives of state policy.

The growth strategy also meant, in the early years of planning, a relative neglect of public investments in agriculture. This negligence of agriculture sector was supported by the general view that the increase labour in the developing countries could only be absorbed in the industry, and that during the early stages of industrialization, it was necessary for agriculture to contribute in the establishment of modern industry by offering inexpensive work force. A faster development of industry was the central objective of planning. The above is a thumbnail sketch of the growth strategy followed by the planners in the past four decades.

3.5 Political Environment

The influence of political environment of business is enormous. The political system prevailing in a country decides, promotes, fosters, encourages, shelters, directs and controls the business activities of those countries. A political system which is stable, honest, efficient and dynamic and which ensures political participation of the people, and assures personal security to the citizens, is primary factor for growth of any business.

Two basic political philosophies are in existence all over the world, viz., democracy and totalitarianism. In its pure sense, democracy refers to a political arrangement in which supreme power is vested in the people. Democracy may manifest itself in any of two fundamental manners. If each individual is given the right to rule and vote on every matter, the result is pure democracy which is not, however, workable in a complex society with a large constituency. Hence, the republican form of organization follows whereby the public, in a democratic manner, elect their representatives who do ruling.

In totalitarianism, also called authoritarianism, individual freedom is completely subordinated to the power of authority of the state and concentrated in the hands of one person or in a small group which is not constitutionally accountable to the people. Societies ruled by a pressure clique - political, economy or military - or by a dictator plus most oligarchies and monarchies belong to this category. The doctrine of fascism and erstwhile Russian Communism Russian Communism are example of totalitarianism.

India is a democratic country. Our political system comprises three vital institutions:-

1. Legislature
2. Executive or government
3. Judiciary

- 1. Legislature:** Out of three, legislature is most powerful political institution vested with such powers as policy making, law-makings, budget approving, executive control and acting as mirror of public opinion. The influence of legislature on business is considerable. It decides such vital aspects as the type of business activities, the country should have, who should own them, what should be their size of operation, what should happen to their earnings and other related factors.
- 2. Government as Executive:** Also called the ‘state’ the term government refers to “the centre of political authority having the power to govern those it serves”. For business consideration, we should know what are government’s responsibilities to business.

Specifically, government’s responsibilities towards business are as follows :

- a) Establishment and enforcement of law
 - b) Maintenance of order
 - c) Money and credit
 - d) Orderly growth
 - e) Infrastructure
 - f) Information
 - g) Assistance to small industries
 - h) Transfer of technology
 - i) Tariffs and Quotas
- 3. Judiciary:** The third political institution is judiciary. Judiciary determines the manner in which the work of executives has been fulfilled. It settles the relationship between private citizens, on one hand, and between citizens and the government upon the other.

The powers of the judiciary are of dual type:

- i. The authority of the courts to settle legal disputes.
- ii. Judicial review - the authority of the courts to rule on the constitutionality of legislation.

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3.6 Socio-cultural Environment

Social and cultural environment refers to the influence exercised by certain social factors which are “beyond the company’s gate”. All such factors comes under one head that is culture.

Culture: In its narrow sense culture is understood to refer to such activities as dance, drama, music and festivals. In its true sense culture is understood as that complex whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by individual as a member of a society.

The culture has two main characteristics:

- Shared value
- Passage of time

Culture of a society is shared by its members. Cultural ethos is passed from one generation to other generation. It is not confined to one particular period of time.

The interface between business and culture can be summarized as follows:

- a) Culture creates people.
- b) Culture determines goods and services.
- c) It defines people’s attitude to business and to work.
- d) Explains the spirit of collectivism and individualism.
- e) Defines whether people are Ambitions or complacent.
- f) Education
- g) Family
- h) Authority
- i) Marriage
- j) Time Dimension
- k) Cultural Resources.

All the above said factors influence the business in one or other way. Hence it is important to understand all these factors for a successful business.

3.7 Natural Environment

Equally significant, but sadly ignored, are the factors like climate, minerals, soil, landform, rivers and oceans, coast lines, natural resources, flora and fauna etc. which have considerable influence on the functioning of a business. It is the natural environment which decides the resources for any business.

Manufacturing, which is one of the aspects of business, depends on physical environment for inputs like raw material, labour of various skills, water, fuel etc. Trade between two regions of a nation or between two nations is the result of geographic factors. Because of natural factors, certain areas are more suitable for production of certain goods and other areas are in need of such goods.

Transportation and communication, the main prop of business, depend to a larger extent on geographic factors. Uneven landforms, deserts, oceans, forest, rivers etc. are barriers to develop this vital infrastructure. Some businesses like mining of coal and ores, drilling of oil and most important agriculture which depends most on nature. Thus the impact of natural environment cannot be ignored moreover it should be given top priority for any successful business.

3.8 Let's Sum-up

The environment of business is an extremely complex and dynamic phenomenon's as the environmental factors vary from country to country. In order to cope with the complexity of the environment it is feasible to divide it into different components and sectors. Let us consider the importance of the constituents of business environment:

- The study of the business environment helps an organization to develop its broad strategies and long-term policies.
- It enables an organization to analyze its competitors' strategies and thereby formulate effective counter strategies.
- Knowledge about the changing environment will keep the organization dynamic in its approach.
- Such a study enables the organization to foresee the impact of the socioeconomic changes at the national and international level on its stability.
- Finally, as a result of the study, executives are able to adjust to the prevailing conditions and thus influence the environment in order to make it congenial to business.

3.8 Key Terms

- **Business Environment:** Business environment is the sum total of all external and internal factors that influence a business.
- **Technological Environment:** Technological Environment means the development in the field of technology which affects business by new inventions of productions and other improvements in techniques to perform the business work.
- **Economic Environment:** The economic environment consists of external factors in a business' market and the broader economy that can influence a business.
- **Political Environment:** The political environment is the state, government and its institutions and legislations and the public and private stakeholders who operate and interact with or influence that system.
- **Socio-Cultural Environment:** Socio-cultural environment is a collection of

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social factors affecting a business and includes social traditions, values and beliefs, level of literacy and education, the ethical standards and state of society, the extent of social stratification, conflict and cohesiveness, and so forth.

- **Natural Environment:** The natural environment encompasses all living and non-living things occurring naturally on Earth or some region thereof. It is an environment that encompasses the interaction of all living species.

3.10 Self-Assessment Questions

1. Mention a brief account of the various components / constituents of business environment.

Ans: _____

2. Explain the concepts of Technological Environment of business with examples.

Ans: _____

3.11 Further Readings

1. Aswathappa, K., *Essentials of Business Environment*, Himalaya Publishing House, Mumbai
2. Puri, V. K. and Misra, S. K., *Economic Environment of Business*, Himalaya Publishing House, Mumbai

3.12 Model Questions

1. Differentiate between economic environments of business from non-economic environment business.
2. For the overall development of the business / industries, which particular type of environment you prefer and why?
3. Write short notes on:
 - a) Socio-cultural environment
 - b) Natural environment



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