

BUSINESS ENVIRONMENT

SUBMITTED BY:

AMAN KUMAR	(2K20/EE/30)
ANIK KUMAR	(2K20/EE/33)
ANUJ KUMAR JHA	(2K20/EE/49)



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INTRODUCTION

Just like human beings, business also does not function in an isolated vacuum. Businesses function within a whole gambit of relevant environment and have to negotiate their way through it. The extent to which the business thrives depends on the manner in which it interacts with its environment. A business, which continually remains passive to the relevant changes in the environment, is destined to gradually fade-away in oblivion. To be successful business has not only to recognize different elements of the environment but also respect, adapt to or have to manage and influence them. The business must continuously monitor and adapt to the environment if it is to survive and prosper.

OBJECTIVE

Identify Business Opportunities

The business environment helps the business to find opportunities in the market. Change in the market condition, customer behaviour, technology, and other factor, business need to finding new opportunities. Business needs to change to survive in the market. Business needs to identify the problem of the market and solve it to gain the customer.

Improving Performance

The company is a group of activities undertaken with the possibility of a sale to make a profit. The business environment helps to improve sale and profit. The main aim of any business is to make a profit. If the sales grow it leads to an increase in profit. Higher profit means the performance is also increasing.

Basis Of Decisions

The business environment provides information about inside and outside of the organization. The information related to change in culture, fashion, trends, customer purchasing power, and others. This information becomes the basis of the decision of any organization.

Survive In The Business

Survive in the market is very difficult in the time of competition. The business environment helps the business to find out information about the internal and external environment. So that the business can make Good decisions to survive in the market.

Making Of Policies

The business makes policy according to the market conditions. The market condition can find out by analyzing the environment of the business. This is how the business environment helps in the making policies of the organization.

Assistance In Planning

Planning is the fundamental management function, which involves deciding beforehand, what is to be done, when is it to be done, how it is to be done, and who is going to do it. The business environment provides enough information to make a plan for the future.

THE CHARACTERISTICS...

Complex

A business environment has a plethora of factors, events, conditions, and influences arising from a variety of sources. Therefore, it is very difficult to understand all the factors affecting a given environment at any time.

Although we can understand it in parts, it is impossible to grasp it in totality.

For example, when mobile phones were released, the firms manufacturing music systems could not envisage phones taking over their business. Neither did book publishers imagine that print books will face a declining demand.

Dynamic

Like the natural environment, a business environment also keeps changing constantly. This is due to a wide range of influencing factors. These factors create dynamism in the environment causing it to continuously change its shape and character.

For example, there was a time when the film industry made revenue selling music CDs. Today, the industry makes more revenue from ringtones and caller tunes.

Multi-faceted

Due to the complexity and dynamism of a business environment, it continuously changes its shape and character. However, different observers view the changes differently. Therefore, a particular observer might see a specific change in the environment as an opportunity while someone else might perceive it as a threat.

For example, Plasma TVs and LCD's gave way to LEDs. Some manufacturers saw it as an opportunity and started producing LEDs instead of LCDs or Plasmas. Now, LEDs are giving way to 3D TVs. Depending on the perception of the firm, it might see it as an opportunity to create new products or as a threat to its current sales.

Far-reaching impact

A business environment has a far-reaching impact on the organization. Businesses who realize the impact of the environment on their growth and profitability ensure that they adapt constantly to be in sync with it.

For example, an organization like the Aditya Birla Group tapped into the changes in its environment and moved from textile to cement to retail to financial services and to telecom as well.

IMPORTANCE OF BUSINESS ENVIRONMENT

Determining Opportunity and Threats:

The interaction between the business and its environment would bring out opportunities for and threats to the business. It helps to find new needs and wants of the consumers, change in laws, change in social behaviours and also tells what new things competitors are bringing in the market to lure consumers.

Giving direction for growth:

The interaction with the environment enables the business to identify the area for growth and expansion of their activities. Once the company knows the changes happening around it, it can plan and strategies to fight it off and emerge as a successful business.

Continuous learning:

The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in the realm of business.

Image Building:

Environmental understanding helps the business organizations in improving their image by showing their sensitivity to their environment in which they operate.

Meeting Competition:

It helps the firms to analyze the competitors, strategies and formulate their own strategies accordingly.

ENVIRONMENT INFLUENCES ON BUSINESS

CADBURY'S SITUATION

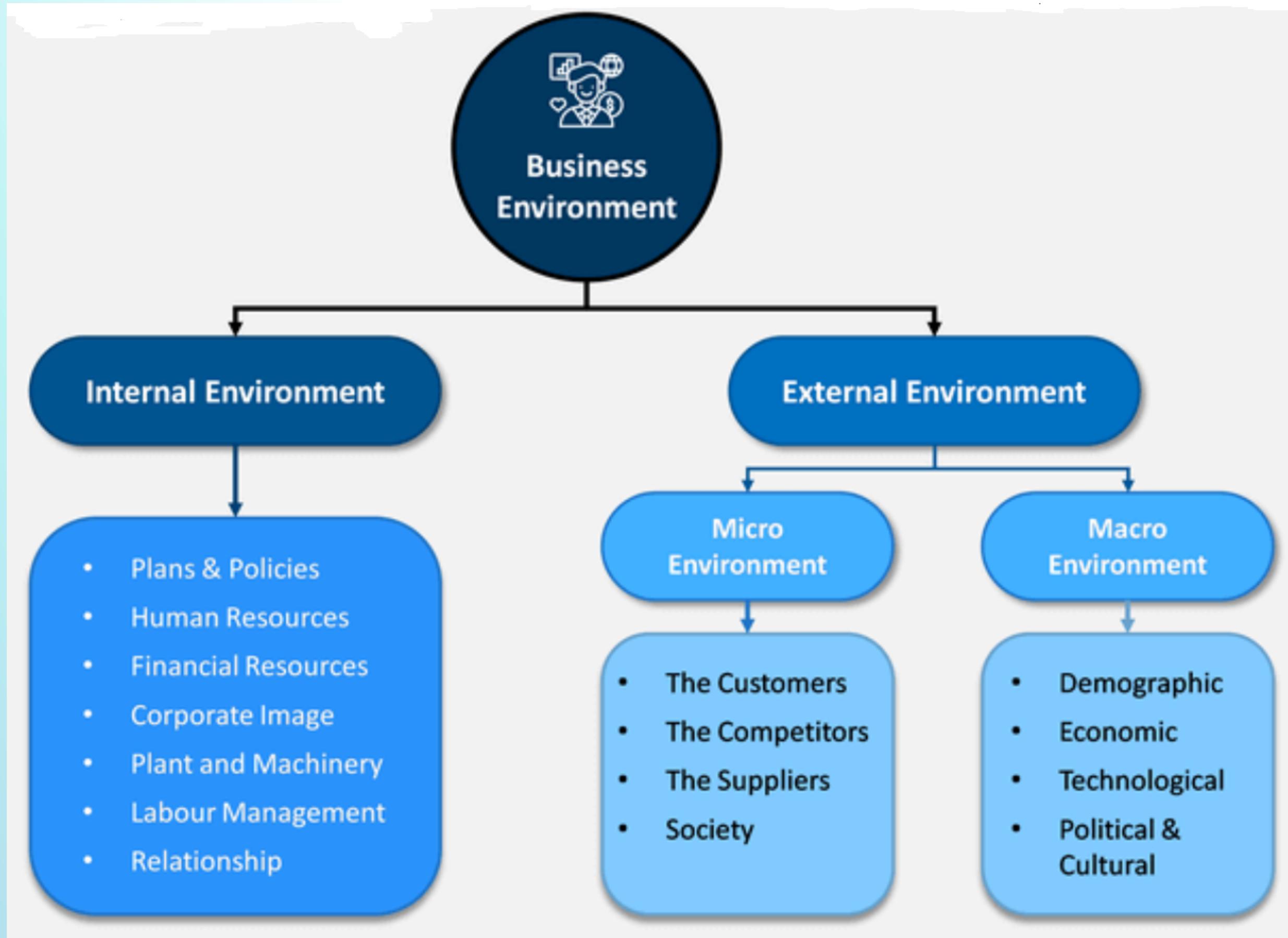
- > Complains received across India of worms in chocolates few years back.
- > Quality of the product became questionable.
- > Sales dropped and Regulatory authority probe ordered.

CADBURY'S FIGHTBACK

- > In house quality investigation to find out the cause.
- > New improved packaging in record 90 days in the market.
- > Created a special Visi-cooler along with Voltas to keep chocolates in good and hygienic condition till the last POP(point of purchase) i.e. final consumer



COMPONENTS OF BUSINESS ENVIRONMENT



MICRO ENVIRONMENT

Micro Environment The factors which are close to the company and affects its ability to work constitutes micro environment. It is known as the operating environment of business. When competing form in the industry have the same micro elements, the success of the firm depends on their relative effectiveness in dealing with these elements.

- **Suppliers:** Suppliers are those who supply the inputs like raw material and components to the company. Uncertainties regarding the supply constraints the company to maintain high inventories causing cost increase.
- **Customers:** Success of any business depends upon identifying customers, their needs, likes etc., and enhancing the level of customer satisfaction. The major task of a business is to create and sustain customers.

- **Competitors:**

Competitors mans other business units which are marketing or producing similar products or a very close substitute of our product. Business has to adjust its various activities according to the action and reactions of competitors.

- **Marketing Intermediaries:**

These are the firms that aid the company in promoting , selling and distributing its goods to final buyers. They are the vital links between the company and the final consumers.

- **Public:**

A public is any group that has an actual or potential interest in or impact on an organization's ability to achieve its interest. Some companies are seriously affected by such public. E.g. Media

MACRO ENVIRONMENT

Macro Environment refers to all those factors that indirectly affect the business operation and working conditions. The macro-environment can be broadly classified into an **economic environment** and a **non-economic environment**.

Economic Environment: It involves macroeconomic parameters, economic systems, different stages of the business cycle, financial system, and more. Different macro-environment factors affecting the economic system directly have an impact on business success.

Non-economic Environment: It involves government policies, demographic factors, legal framework, social system, political system, technological development, and more. Generally, a non-economic environment has a robust impact on the success of any business.



MACRO ENVIRONMENT FACTORS

Demographic Factors: Demographics refers to age, language, lifestyle, income distribution, cultural differences, etc. Financial literacy depends on demographics.

Ecological and Physical Factors: Business performance depends on various geographical and ecological forces—availability of natural resources, climate change, weather conditions, biological balance, pollution, etc.

Political and Legal Factors: The government imposes various regulations on businesses—employment laws, import/export laws, copyright laws, labour laws, health and safety laws, and discrimination laws.

MACRO ENVIRONMENT FACTORS

Economic Factors: Consumer buying decisions are significantly impacted by macroeconomic factors—demand-supply, inflation, interest rates, taxes, exchange rates, and recession.

Technological Factors: Technological growth and advancement within a nation greatly influence the production and sale of goods or services. Innovation, automation, and internet facilities are some examples.

Socio-Cultural Factors: A business needs to be socially responsible and culturally aware. Socio-cultural factors comprise education, population growth rate, life expectancy rate, social status, buying habits, religion, etc

SWOT ANALYSIS



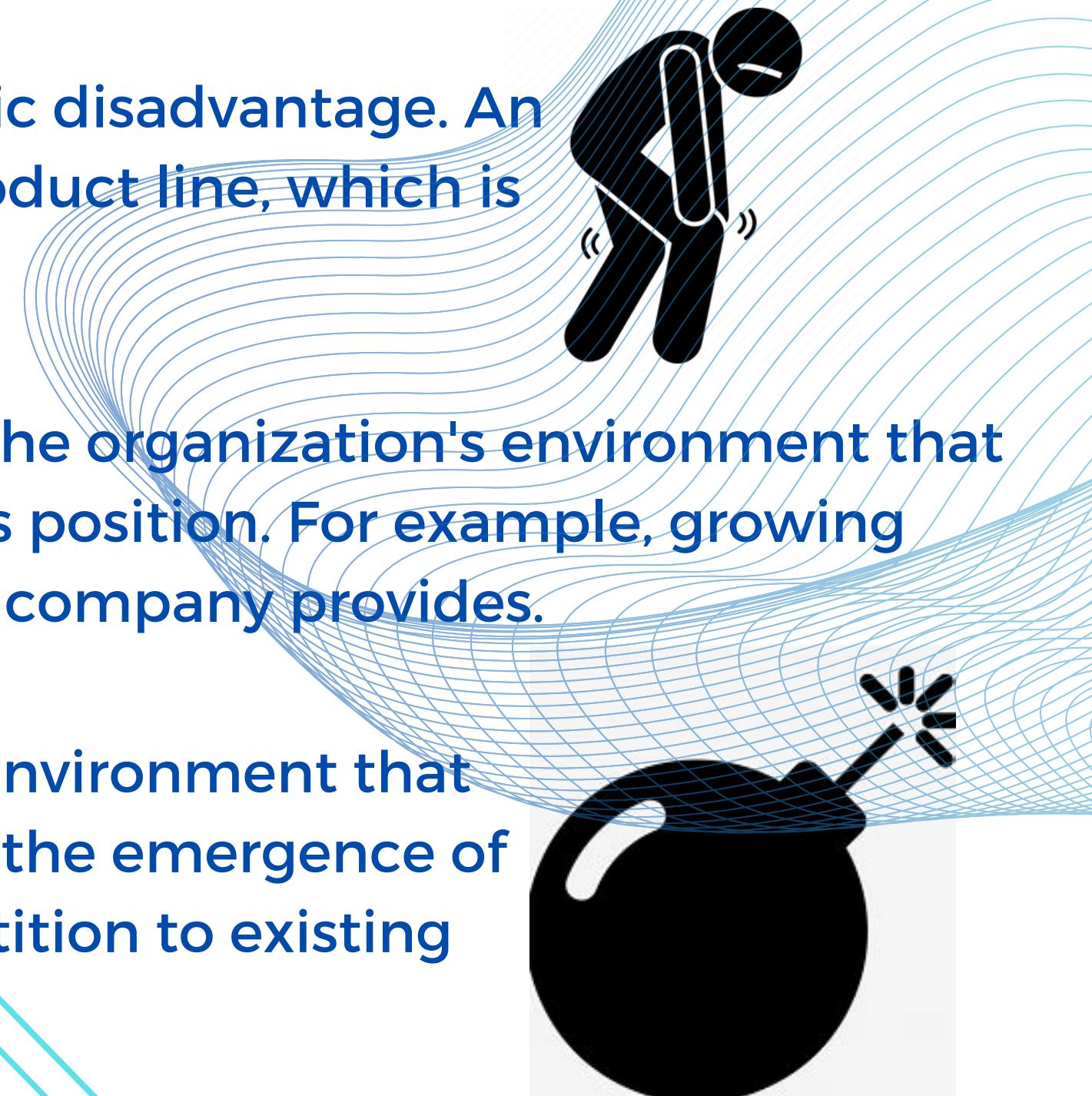
A strength is an inherent capacity that an organization can use to gain a strategic advantage over its competitors. An example of strength is superior research & development so that the company gains a competitive advantage.

A weakness is an inherent limitation that creates a strategic disadvantage. An example of a weakness is over-dependence on a single product line, which is potentially risky for a company in times of crisis.



An opportunity is a favorable condition in the organization's environment that enables it to consolidate and strengthen its position. For example, growing demand for the products or services that a company provides.

A threat is an unfavorable condition in the organization's environment that creates a risk or damage to the organization. For example, the emergence of strong new competitors who are likely to offer stiff competition to existing companies in an industry.



SWOT ANALYSIS OF COCA COLA

Strengths

- Variety of products across different categories;
- A 43% market share in the soft drink industry;
- Powerful brand recognition on a global scale;
- Secret recipes for their soft drink products;

Weaknesses

- Difficulty to keep up with the health industry;
- Unable to find a better substitute for sugar;
- Difficulty to change current positioning and customer attitude towards the company;

Opportunities

- The company can increase their market share if they listen and adapt to current health trends;
- Relatively few actual competitors on the market;



Threats

- Companies that are offering healthy alternatives to Coca Cola & other soft drinks;
- Negative press and media coverage can harm the brand in the long run;

Thank
you

