SUBJECT— BUSINESS ORGANISATION

B COM

Lecture 7

BY::

ABHISHEK ASHISH (ASSISTANT PROFESSOR)

K . L . S COLLEGE NAWADA

✠ **Business** – Business is an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human wants. In simple words, Business can be defined as the **activity of making one's living or making money by producing or buying and selling products (goods and services).** Along with the **large, well-known businesses such as the Coca-Cola Company and IBM,** there are many thousands small businesses that provide employment opportunities and produce products or services that satisfy customers.

✠ **Environment** - According to Barnard "Environment consists of atoms and molecules, agglomeration of things in motion, alive, of men and emotions, of physical and social law, social ideas, norms of actions, of forces and resistance. The number is infinite and they are always present, they are always changing". **Environment includes all the conditions and circum- stances, influences surrounding and affects the total organization or any of its part.** Each business organization operates in its unique environment.

✠ **Business Environment** – Business Environment can be defined as the combination of **internal and external factors** that influence a company's operating situation. The business environment can include factors such as: clients and suppliers; its competition and owners; improvements in technology; laws and government activities; and market, social and economic trends.

✠ **Environmental Scanning** - Environmental scanning can be defined as the process by **which organizations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions**. It is the process of gathering information regarding company's environment, analysing it and forecasting the impact of all predictable environmental changes. It helps the managers to decide the future path of the organization. The factors which need to be considered for environmental scanning are events, trends, issues and expectations of the different interest groups. **Example** – Reliance Jio identifying the opportunity for low lost 4G penetration in the country and Airtel identifying the threat from Reliance Jio 4G.

✠ **External Environment** - These are **factors existing outside the business and are beyond its control to a large extent**. The external business environment is classified again in to micro and macro environment.

✠ **Micro Environment** - Micro environment consists of those factors which have a **direct and intimate impact on the firm**. E.g.: Suppliers and distributors of the

firm. The micro environment is **also known as task environment** or operating environment. Micro factors need not affect all the firms in a particular industry in an equivalent manner. **Example** – If there is shortage of wheat production in the country, then it will directly impact the bread-making industry but not the telecom industry.

✟   **Macro Environment** - Certain factors like economic policies of the government; demographic factors etc **affect the industry as a whole and is known as macro environment of business**. It is also called general environment. Example – Introduction of Goods and Services Tax (GST) affected the industry as a whole.

✟   **Internal Environment** - An organization's internal environment is **composed of the elements within the organization**. It deals with the vision, mission and objectives of organisation, values on which organisation is built upon, structure of management, physical resources, human resources, financial resources, technology, research and development etc.. Internal environment also includes culture and other intangible aspects like teamwork, coordination, efficiency level of employees, employee's salaries and monitoring costs.

✟   **6 Ms of Internal Environment -** They include

– Man (Human Resource)

– Money (Financial Factors)

– Marketing Resources

– Machinery (Physical Assets)

– Management Structure and Nature

– Miscellaneous Factors (Research and Development, Company Image and Brand Equity, Value System, Competitive Advantage)

Usually, these factors are within the control of business.

✟   **Environmental analysis** - Environmental analysis refers to the process of **identifying the external and internal elements, which can affect the performance of an organisation**. The analysed facts will then be used for formulating strategies and taking decisions, so as to exploit opportunities and enhance strengths, and to minimize threats and weaknesses. **Example** – ITC will take its decisions with regard to new brand of Pasta only after analyzing the internal elements (production capacity) and external elements (market demand).

✟   **PESTLE Analysis** - The term PESTLE is used to describe a framework for **analysis of macro environmental factors**. PESTLE analysis involves identifying the political, economic, socio-cultural, technological, legal and environmental influences on an organization.

✟   **First Mover Advantage** - A form of competitive advantage that **a company earns by being the first to enter a specific market or industry**. Being the first allows a company to acquire superior brand recognition and customer loyalty. The company also has more time to perfect its product or service. **Example** – Flipkart was one of the first to provide online ordering and delivery of different products and got the first mover advantage.

✟   **SWOT Analysis** - SWOT analysis (alternatively SWOT matrix) is a configured planning method used to assess the strengths, weaknesses, opportunities and threats involved in

a project or in a business venture. In SWOT analysis, one has to identify all the four factors i.e. Strength, Weaknesses, Opportunities, and Threats. **Strengths should be enhanced and weaknesses should be eliminated for effectively reaping benefits of opportunities and avoiding challenges of threats.**

✟   **Quick Environmental Scanning Technique (QUEST)** - The Quick Environmental Scanning Technique, is a scanning procedure designed to assist executives and planners to keep side by side of change and its implications for the organizational strategies and policies. QUEST produces a **broad and comprehensive analysis of the external environment.**

✟   **5 Forces Model by Michael Porter** - Five forces model was created by M. Porter in 1979 to understand how five key competitive forces are affecting an industry. These forces determine an industry structure and the level of competition in that industry. The stronger competitive forces in the industry are the less profitable it is. **An industry with low barriers to enter, having few buyers and suppliers but many substitute products and competitors will be seen as very competitive and thus, not so attractive.**