



Environment of Business

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Abstract: *Suppose your abjectove is to necome a successful manager. Your success as a manager depends on a number of factors and these constitute your work environment. As a manager you do not work in a vacuum but in an environment. When you take decisions you cannot neglect the limita-tions of your business environment.*

Key Words: abjectove, successful, manager, success, depends, factors, constitute, environment.

Enviroment refers to the sum total of all factors - economic, political, social and cultural - which are external to and beyond the control of the individual business enterprises and their management. Environment furnishes the macro-contexts, while the business firm is the mi-cro-contexts, while the business firm is the micro-unit. The environmental factors are a given'give' within which the irm ioerates. The environmental factors are unnerous and complex, Some of these factors are static while others are dynamic, Environmental factors generally vary from country. The environment found in India may not be found in hte USA or the UK and vice versa.

Environment may be loval, national and internationl. Again, environment may be market environment and non-market environment. When the business environment is influenced by market forces like demand, supply or competition, it is referred to as market environment. When business environment is influenced by social customes, government laws, religious taboos, it is referred as non-market environment.

Lastly, business environment is influenced by economic and non-economic factors. Eco-nomic environment is shaped by the monetary policies, policies, economic policies, indus-trial policies etc. of the country concerned.

The non-economic environment is shaped by political, social, cultural and dhitorial factors. It is necessary to examine the business environment because it will enable the manager to know which

factors are helping the success of his business. If he could identify know which factors are helping or hindering the success of his business. If he could identify the factors which hinder his success in business, he will adopt an alternative course of action. There are various techniques of scanning business environment.

First, edentify the particular environment. Then find out what are the elements of such an environ-ment and analyse them. Since the environmental factors are macto variables, they the ends or ends to the means. Secondly, change the decision-making process of the firm. When input is the constaining factor, firm 's decision variable is the output and when output is the constrainig factor, the's decicion variable is the input.

COMPONENTS OF ENVIROMENT-A business cannot be said to function within a vacuum; like any other organic entity, it is in constant interaction with - and is duly impacted by - its environment. Its immediate environ-ment may be said to be comprised of micro-components such as its suppliers, customers, competites. Extending beyond this troposphere (to use a term more allied to geophy) lies a more diffused but no less influential outer zone acting on hte organization- an incredibly complex medley of indluences which may be described as the macro environment. This perpheral layer comprses macro components such as the economic envirobment, natural enviroment, the political environ, demographic environment interntionl environment and so on. In this section,



therefore, we shall study the effect of both the micro as well as the macro environments in business organizations.

There does not seem to be any comprehensive and all encompassing definition of the environment surrounding a business organization. While Gerald Bell says that "an organization's external environment consists of those things outside an organization such as customers, competitors, government units, suppliers, financial firms and labour pools that are relevant to an organization's operation's operation". Paire and Anderson claim that the business environment is "the sum of those inputs to an organization which are under the control of other organizations or interest group or are influenced by interaction of several groups, such as the economy".

William F. Glueck and Lawrence R. Jauch imply that there are two distinct components of the environment, micro and macro, when they say that "the environment includes factors outside the firm (italics ours-Ed.) which can lead to opportunities for, or threats to, the firm. Although there are many factors, the most important are socio-economic, technological, suppliers, competitors and government." Richman and Copen maintain that the environmental factors largely if not totally impact the firm, the boundaries of which extend well beyond its formal limits.

The Micro Environment- The micro environment comprises those forces in the immediate vicinity of an organization that influence its functioning. It is this proximity that makes them so potent in their impact. While all firms have a micro environment, the components thereof affect different firms in different ways, depending on their peculiar set of circumstances. For example, while a firm manufacturing cigarettes will be directly affected by shrinking supplies of tobacco, labour unrest of ageing plant and machinery, a flour miller will be hard hit by its customers gradually drifting towards packaged flour brands like ITC's Aashirwad,

phirwad. Philip Kotler sums it up neatly when he says that "The micro environment consists of the actors in the company's immediate environment that affect the performance of the company. These include the suppliers, marketing intermediaries, competitors, customers and the public." Taking cue from Kotler, let us proceed to examine these one by one.

1. Suppliers- A company's suppliers are its umbilical cord, since they provide it with the raw materials, components and other provisions that enable it to function. An army with its supply chain cut off will be defeated. Since suppliers are so important, companies rarely depend on only one supplier, since if, for some reason, that supplier paralyzes or shuts down its operations, the company will be left stranded. In a situation where supplies are uncertain or sporadic, companies are forced to maintain huge inventories of stocks and components, such as dealers of a car market like Daewoo, which went out of business due to an overstretched financial position and serious irregularities. Sometimes, a concerted move by suppliers to organize themselves in order to wrest more concessions from the company can also be a cause of concern. Hence, it is necessary for firms to keep track of suppliers' attitudes, financial health, changes in their immediate environment and so on.

2 Customers- Customers are the single most important reason why a company is in business, apart from its own profitability. A firm could have customers spread across a variety of segments such as governmental, foreign buyers, industrial users, wholesalers, retailers, domestic buyers and for date needed for improving products and services. Each segment will need to be constantly probed and analysed so as to find out what products or services these customers prefer, or want, so that efforts can be made to meet these demands before the competition prefer, or want, so that efforts can be made to meet these demands before the competition does.

3. Labour- A healthy industrial relations



climate creates the amicable terms between the workforce and the management that allows a company to function smoothly. In Large organizations where the labour force may number in thousands, they are usually organized into unions that periodically negotiate with the management in order to increase wages, facilities and retirement benefits. A militant trade union can lead to crippling strikes and lockouts that can severely affect a firm's prospects. Hence, labour is a force to be reckoned with in large companies. Since these labour unions often have substantial political backing, it is crucial to find various avenues to placate them or lobby for support against their anti-organizational activities...all of which only goes to illustrate how the various factors in the macro environment can be interlinked. 4. Business Partners

An organization's business allies can be valuable sources of support, whether in coming out in support of their policies, helping out in times of financial sources of supplies, or even for introductions to import markets.

5. Competitors- Directly as well as indirectly, competitors play a crucial role in any organization's performance and progress. The various ways in which this could happen are -

(1) **Share of wallet:** with the vast majority of Indian buyers having limited disposable incomes, it has become important for businesses to actively pursue customers and influence them to buy their products. For example, a typical middle-class family may nurse the dream of owning a colour television set, a 310 litre refrigerator and an automatic washing machine, but can afford to buy only one of them. In such a situation, the company that has the most persuasive advertising and the best financing tie-ups will attract customers.

(2) **Generic Competition:** A variety of alternatives within the same market is known as generic competition. For instance, an investor looking for a suitable investment opportunity will have a number

of alternatives to choose from-bank deposit, mutual funds, insurance policy, share market, etc.

(3) **Product variants:** This is where a potential buyer is confronted by a range of alternative models to choose from. To illustrate, a buyer for Hyundai's Accent model has to select from the viva hatchback, the CRDI diesel version or the 'straight' version, with or without automatic transmission.

(4) **Brand competitors:** A person willing to spend about Rs. 1'000 on a pair of denim jeans has a choice between several branded products including Levi's, Flying Machine, Ruf 'n Tuf, Woodlands, Wrangler, Pepe and Numero Uno.

6. Regulatory Agencies- These would include a variety of government or independent agencies such as the Bureau of Indian Standards, the ISO (International Standards Organization), the Customs & Excise departments, the Income Tax department, Civil Aviation Authority, TTAI (Telecom Regulatory Authority of India....so important for all the players in the hectic telecom sector) DRDO (Defence research & Development Organization), not to forget Consumer Courts, which of late have become very protective of consumer rights, taking punitive action to a variety of statutory and regulatory provisions as laid down from time to time.

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