

Business Studies

Chapter 1 $\Rightarrow$ Business Environment

Brief Summary

Business Environment means the total of all individuals, institutions, and other forces that are outside the control of a business enterprise, but that may affect its performance. In other words, the Business Environment can be defined as well those conditions and forces under which a business is operated.

Features of Business Environment :-

- 1) The totality of External forces
- 2) Specific and General force
- 3) Interrelatedness
- 4) Dynamic nature
- 5) Uncertainty
- 6) Complexity
- 7) Relativity

Importance of Business Environment

- 1) It helps in identifying opportunities and making first mover advantage.
- 2) It helps the firm identify threats and Early warning signal.
- 3) It helps in tapping useful resources.
- 4) It helps in coping with rapid changes.
- 5) It helps in assisting in planning and policy formulation.
- 6) It helps in improving performance.

Q) Why it is important for Business Enterprises to understand Their Environment.

=> i) It benefits in tapping useful resources.

- Business and industry avail the resources from the environment and convert them into usable products and provide to society.
- The environment provides various inputs like finance, machine, raw materials etc.
- The business enterprise provides outputs such as goods and service to the customers, payment of tax to the government etc.

ii) for Eg - With the demand for the latest technology, manufacturers will tap the resources from the Environment to manufacture LED TVs and smart TV rather than collecting resource for Black and white TV.

iii) It helps in coping with rapid changes.

- The business Environment is changing rapidly and industry is getting affected by it.
- Turbulent market environment, less brand loyalty are some eg.

Eg => Jack Ma started Alibaba as he could see huge potential in E-commerce.