

BUSINESS ENVIRONMENT

UNIT-1

PART-I

INTRODUCTION

A Successful business enterprise adjusts their internal environment including human and financial resources, policies, technologies and operations to the external environment. The company performs an environmental analysis to identify the potential influence of particular aspects of the general and operating environments on business operations. This analysis identifies the opportunities and threats in a business environment in terms of a company's strengths and weaknesses. For example, a company may consider the impact of operating in a communist country and the threats posed by government-controlled resources. A company might also consider the opportunities of a government-controlled market in terms of competing products, the implications of well-educated and well-paid consumers to product development and sales and the impact of the location of its primary suppliers in a country in economic crises.

MEANING OF ENVIRONMENTAL ANALYSIS OR SCANNING

Environmental analysis is a strategic tool that identifies all the external and internal elements, which can affect the organization's performance. The analysis entails assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision-making process. The analysis helps to bring into line the strategies with the firm's environment. In other words, Environmental scanning is the process of gathering information about events and their relationships within an organization's internal and external

environments. The basic purpose of environmental scanning is to help management to determine the future direction of the organization. It is an exercise that involves a continuous process of monitoring of all those forces namely, economic competitive, technological, socio-cultural, demographic and political forces to determine the opportunities.

According to L.R. Jauch and W.F. Glueck, "Environmental Analysis is the process by which strategists monitor the environmental factors to determine opportunities for and threats to their firms. Environmental diagnosis consists of managerial decisions made by assessing the significance of the data of the environmental analysis."

Thus, environmental scanning is the process which is made up of two sub-processes of monitoring the environment which better called as environmental search and identifying opportunities and threats based on environmental monitoring which is just called as "environmental diagnosis".

NATURE OF ENVIRONMENTAL SCANNING: -

1} Continuous Process -

The analysis of environment must be a continuous process rather than being an intermittent scanning system. It must operate continuously in order to keep track of the rapid pace of development. So, environmental analysis becomes essential due to the dynamic nature of the environment.

2} Holistic View -

Environmental Analysis is a holistic exercise in the sense that it must comprise a total view of the environment rather than viewing a trend piecemeal. The corporate must scan the circumference of its environment in order to minimize the chances of surprises and to maximize its utility.

3}First Mover Advantage -

Awareness of environment helps an enterprise to take advantage of early opportunities instead of losing them to competitors. For instance, Maruti Udyog became the leader in the small car market because it was the first to recognize the need for small cars on account of rising Middle class.

4} Focus on Customer -

Environmental Understanding makes the management or Business organization sensitive towards the changing needs and expectations of customer. For instance, Several FMCG companies have launched small sachets of shampoo and other products realising the wishes of customers.

5}Change Agent -

Business leaders acts as the agents of change. They create a drive for change at the grassroot level. In order to decide the direction and nature of change, the leaders need to understand the aspirations of people and other environmental forces through Environmental Scanning.

6} Public Image -

A business firm can improve its image by showing that it is sensitive to its environment and responsive to the aspirations of public. Environmental understanding enables the business to be responsive to their environment.

7} Continuous Learning-

Environmental analysis keeps the organization in touch with the changing scenario so that they are never caught unaware. With the help of Environmental learning, managers can react in an appropriate manner and thereby increase the success of their organization.