

BUSINESS ENVIRONMENT

UNIT-1

PART-III

DIMENSIONS/ELEMENTS/COMPONENTS OF BUSINESS ENVIRONMENT: -

The business environmental factors may be classified into different types. There are broadly two types of environments that affects the organization, internal environment and external environment.

1] INTERNAL ENVIRONMENT: -

Internal environment refers to the factors internal to the firm i.e., factors existing within a business firm. Internal factors are generally regarded as controllable factors.

Factors of Internal Environment: -

The following are the factors of internal environment:

1. Plans & Policies: The plans and policies of the firm should be properly framed taking into consideration the objectives and resources of the firm. Proper plans and policies help the firm to accomplish its objectives. The higher authority must analyses the internal environment to foresee the changes and frame appropriate policies well in time.

For example: the personnel policy in respect of promotion should be based on merit rather than seniority.

2. Human Resource: The survival and success of the firm largely depends on the quality of human resources. The social behavior of the employees greatly affects the working of the

business. The characteristics of human resource like skill, quality, morale, commitment can contribute to the success of the organization.

3. Financial Resources: Capital is the lifeblood of every business. Finance relates to money.

A firm needs adequate funds to meet its working capital and fixed capital requirements. There is a need to have proper management of working capital and fixed capital. Financial factors like financial policies, financial status (position) and capital structure 'a/so influence the internal environment of a firm affecting its performance- If the firm enjoys sufficient financial resource, it can spend on research and promotional activities.

4. Corporate Image: A firm should develop, maintain and enhance a good corporate image in the minds of employees, investors, customers etc. Poor corporate image is a weakness of the firm.

5. Plant and Machinery: Plant and machinery is the internal part of the business firm. If the machines are obsolete or outdated, they should be replaced by a new one, or that adversely affects the business firm.

7. Promoter's vision: The promoter should have far sight vision to forecast opportunities and threats in the business so that the opportunities are properly grabbed and threats are diffused off in time.