**11th May, 2020 JESUS AND MARY SCHOOL AND COLLEGE MODULE 1**

**CLASS 12**

**COMMERCE**

**CHAPTER: BUSINESS ENVIRONMENT**

**Concept of business environment**

Business environment is the climate in which business activities are conducted . Every business enterprise operates within various internal and external forces which influences the functioning and performance of the enterprises. Thus, business environment is the sum total of all individuals, institutions and other forces which affect the performance of the enterprise.

**Definition-** “Business environment is the aggregate of all conditions events and influences that surround and effect business organization.” -Keith Davis

**Features of Business Environment:**

**The main features of business environment are:**

1. **Totality of External forces:-** It is the sum total of all the factors, forces individuals and institutions that affect business enterprises.
2. **General and Specific forces:-** General forces include social, economic, legal and political factors that affect all business enterprises, while specific forces like customers, suppliers, competitors etc. effect individual enterprises directly.
3. **Interrelatedness:-** Various elements of business environment are related and dependent on each other. A change in one causes a change in another.
4. **Complexity:-** Business environment consists of multiple elements which are frequently changing and interrelated. This makes it complex in nature.
5. **Dynamic:-** Business environment keeps on changing due to the frequent changes in government policies, customer’s taste, demand etc.
6. **Uncertainity:-** Dynamic nature of business environment makes it uncertain, as it becomes difficult to predict changes in future accurately.
7. **Relativity:-** Business environment differs from one region to another because of difference in the political, legal, social and cultural factors existing in the area.

**Importance of business environment**

Business environment exercises tremendous influence on the working and success of business firms. Therefore, management of a business enterprise must have a deep understanding and appreciation of the environment. The changes taking place in environment must be continuously monitored to judge the impact on business.

**Benefits/ Importance of understanding the environment are given below:-**

1. **First Mover Advantage:-** It helps a firm in getting first mover advantage by identifying opportunities and utilising them for the growth of the business.
2. **Early Warning Signal:-** It gives early warning signals by identifying various threats, and take appropriate measures to reduce their adverse effect on business.
3. **Customer Focus:-** It helps the Enterprise to understand customer’s needs and focus on fulfilling them, in order to increase turnover and profitability.
4. **Strategy Formulation:-** It guides in formulation of policies and strategies so as to deal effectively with changing conditions, for the benefit of the organization.
5. **Coping with Change:-** It prepares to copy up with Rapid changes that are occurring in the environment. Absence of adaptation of changes may adversely affect organisations efficiency.
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.

**Dimensions of Business Environment**

**Business Environment consists of two major dimensions:**

1. **Micro Environment:-** Micro Environment refers to those internal and external factors which exercise a direct influence on the working and performance of an individual business organization. It consists of two sets of factors, as:
2. **Internal factors of micro environment:-**

These factors exist within the business firm and therefore, considered controllable and measurable.

1. **External factors of micro environment:-**

The factors which influence an individual enterprise or the individuals, groups and agencies which are constantly interacting with the enterprise are the part of external factors of micro environment.

1. **Macro Environment:-** The Macro environment are the subset of general forces which may affect all business enterprises. They are indirect, generally uncontrollable and non-measurable. An enterprise attain success only if it adapts according to change is in the macro environment

**Macro environment consists of the following components:**

1. **Economic Environment:-** It consists of economic factors that influence the business in a country. These factors include Gross National Product, corporate profits, inflation rate, balance of payment, disposal income, economic planning state of capital market, taxation policy and rates etc.
2. **Social Environment:-** The social environment consists of all the social and cultural forces within which firm operates. Literacy rate, customs, value, beliefs, lifestyle, traditions, family structure, demographic features and mobility of population are the part of social environment.
3. **Political Environment:-** The political environment consists of the forces concerning management of public affairs and their impact on business. It is the outcome of a combination of various ideologies advocated by different political parties. Every political party has a different attitude towards business community.
4. **Technological Environment:-** Technological environment covers the nature of technology available and used by industry in general.
5. **Legal Environment:-** Business has to function within the framework of laws and regulations of the country. Legal environment provides the regulatory framework within which business has to function.

**WORKSHEET 1**

**Answer the following questions:**

Question 1) What is the meaning of business environment?

Question 2) Name the dimension of business environment.

Question 3) What is Micro Environment?

Question 4) What is Macro Environment?

Question 5) What is Technological Environment?

Question 6) What is Economic Environment?

Question 7) What is Legal Environment?

Question 8) What is the Internal factors of Micro Environment?

Question 9) Explain any four features of Business Environment.

Question 10) Explain four importance of Business Environment.

**Note:- Please do all this work in old copies which will be checked when school will re-open. Please consider this important.**

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