

Chapter 3 – Business Environment

Question 1

What is Business Environment?

Answer: Forces influencing the performance of an establishment outside its regulation is known as Business Environment.

Question 2

How can a firm cope up with the varying technical environment?

Answer: By enhancing and developing new ways of performing things.

Question 3

Explain how does the understanding of business environment help the management in the following:

1. Tapping useful resources
2. Coping with rapid changes

Answer:

1. Understanding of business environment assists in tapping useful resources by outlining the policies that allow it to get the resources that it requires so that they can transform resources into products that the environment wants.
2. Understanding of business environment assists in coping with rapid changes by developing feasible course of action to deal with changes taking place in the environment as well as the speed of change.

Question 4

What is the role of the political environment in shaping the business?

Answer: It involves political conditions such as peace and general stability in the nation and the traits of the elected government representatives hold towards the business concerns. Political stability certainly gains confidence among the society of the business whilst political instability, incorrect law and order situation might bring uncertainty to the business pursuits.

For instance, post Globalisation, Government of India permitted many companies to get into the Indian market to boost the different industries like food processing industry etc.,

Question 5

What are the benefits of understanding the business environment?

Answer: The benefits of understanding the business environment are:

- Facilitating the identification of opportunities and getting an advantage
- Assisting in the identification of threats
- Touching useful resources
- Managing the rapid changes
- Helping in planning and policy

Question 6

'The social environment of business is important for a business enterprise.' Explain.

Answer: A business is subordinate to an external social environment and also its own internal social environment. The external social environment gives both perils and opportunities for a business. Businesses that break to accommodate to social preferences associated with their goods and services will fail.

The failure of any establishment in adapting to the changes in the social environment would certainly lead to dissatisfaction amongst its consumers and its products being rejected.