

PONDICHERRY UNIVERSITY
DIRECTORATE OF DISTANCE EDUCATION

MBA – IST SEMESTER

BUSINESS ENVIRONMENT AND LAW

AN INTRODUCTION - PRESENTATION – 3 & 4 (12th & 13th MARCH 2022)



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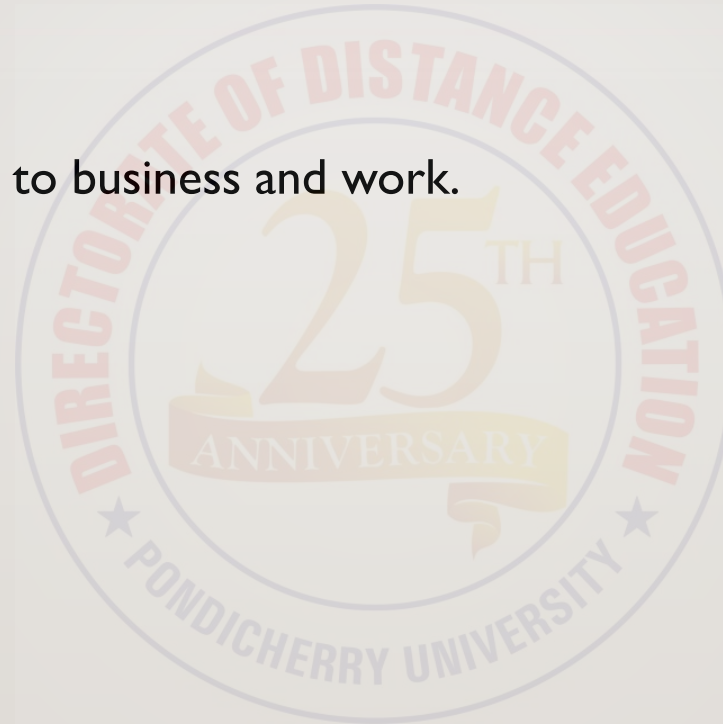
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SOCIO-CULTURAL ENVIRONMENT.

- Socio- culture environment include the total social culture within which the organization operate. Culture consists of the cultivated behaviour of the individual with in the society. Socio- culture include the people attitude towards the work, role of family, marriage, religion, education, social responsibility of business. From marketing point of both caste and class plays an important role in deciding the source and type of marketing.
- Demographic Environment :It is a study of perspective of population i.e. its size, standard of living , growth rate, age-sex composition , family size, income level (upper level, middle level and lower level), education level etc. Every business unit must see these features of population and recognize their various need and produce accordingly.

SOCIO-CULTURAL ENVIRONMENT.

- Culture consists of the cultivated behaviour of the individual with in the society.
- Culture creates people
- Culture and globalization
- Culture determines people's attitude to business and work.
- Caste system
- Spirit of collectivism
- Education
- Ethics in business
- Social responsibility
- Social audit
- Corporate governance



TECHNOLOGICAL ENVIRONMENT:

Technology is the systematic application of scientific or other organized knowledge to practical tasks. Technological environment hold new technological innovation, new products, the state of technology, the utilization of technology for maximum inputs and outputs, the obsolescence of technology and the dynamic changes that frequently occur in technologies which enable firms to get a competitive advantage

- Technology reaches people through business
- Helps in increased productivity
- Business needs to spend on R & D and keep up with the technological advances around them
- Technology leads to introduction of new products as older products become outdated and redundant.
- Technological advances leads to high expectations of consumers in terms of quality
- Leads to system complexity
- Demand for capital

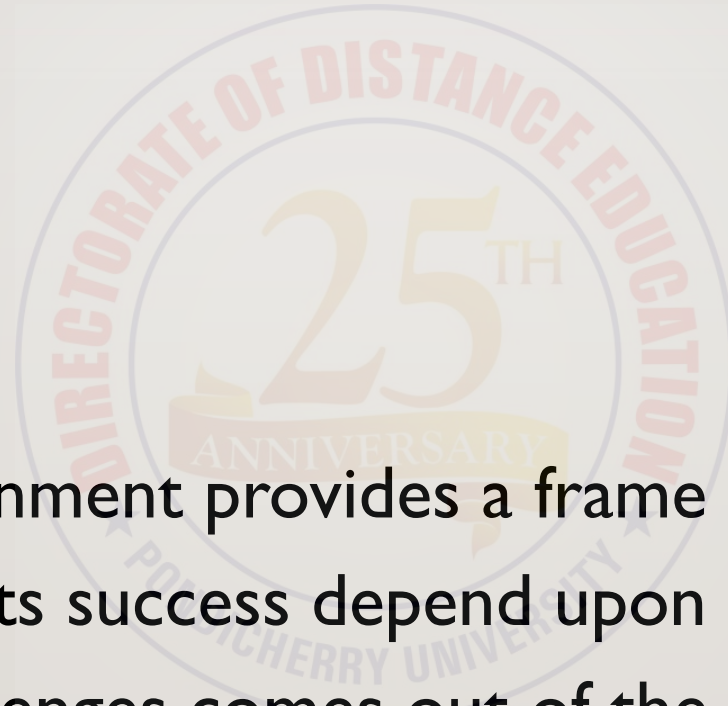
TECHNOLOGICAL ENVIRONMENT:

- A systematic application of scientific knowledge to practical task is known as technology .Every day there has been vast changes in products, services ,life styles and living conditions, these changes must be analysed by every business unit and should adapt these changes.
- In today's world a business has to adopt technical changes from time to time. Constant innovation is necessary because the purpose of every business is to create and satisfy the customer , therefore every business enterprise have two basic functions i.e.
 - Marketing
 - Innovation
- Technological environment also include research base of decisions. Research identify the customer need and provide information for target setting and programming the complete marketing effort.
- Innovations helps by the establishment of research and development market in the enterprise.

POLITICAL AND LEGAL ENVIRONMENT:

Political environment refers to the influence by the three political institutions:

- Legislature
- Execution
- Judiciary
- Legal and political environment provides a frame work within which the business is to work and its success depend upon the success with which it can face the various challenges comes out of the political and legal framework.



POLITICAL AND LEGAL ENVIRONMENT:

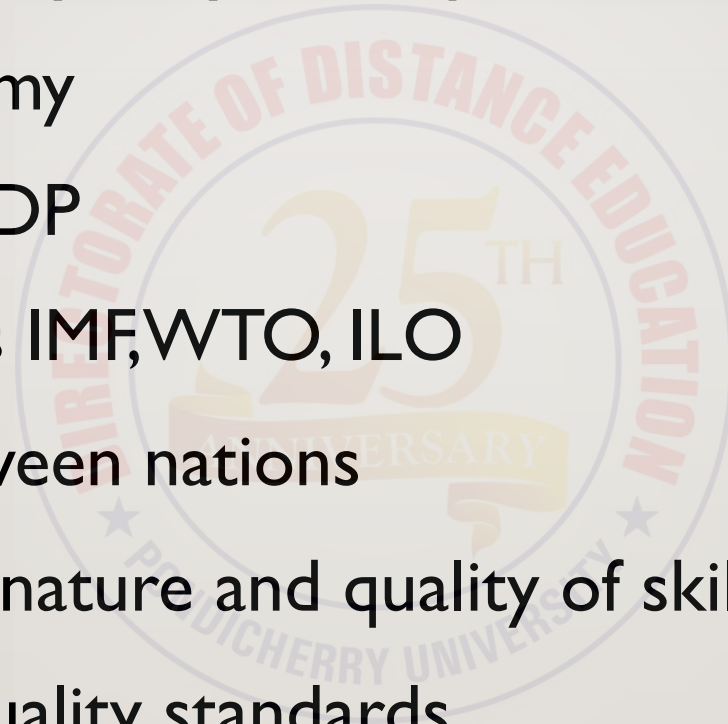
- Political Environment refers to the influence exerted by the three political institutions i.e.. legislature, executive and judiciary in shaping, directing, developing and controlling business activities through
- The constitution of a country
- Political Organization
- Political Stability
- Image of the country and its leaders
- Foreign Policy
- Laws governing business
- Flexibility and adaptability of laws
- The Judicial System



INTERNATIONAL ENVIRONMENT

Important factors that operate at global level which have an impact on organization by way of exports and imports are:

- Growth of world economy
- Distribution of world GDP
- International institutions IMF, WTO, ILO
- Economic relations between nations
- Global human resource-nature and quality of skills, mobility of labour
- Global technology and quality standards
- Global demographic patterns



INTERNATIONAL ENVIRONMENT

- The global environment refers to those factors which are relevant to business, such as the WTO principles and agreements; other international conventions/ treaties / agreements / sentiments in other countries etc. For e.g. hike in crude oil prices has a global impact etc.
- World is becoming one market
- Improving quality
- Competition from MNCs
- Capital and technology transfers
- Deciding which markets to enter and what products to manufacture
- Adjusting the management process



NATURAL ENVIRONMENT

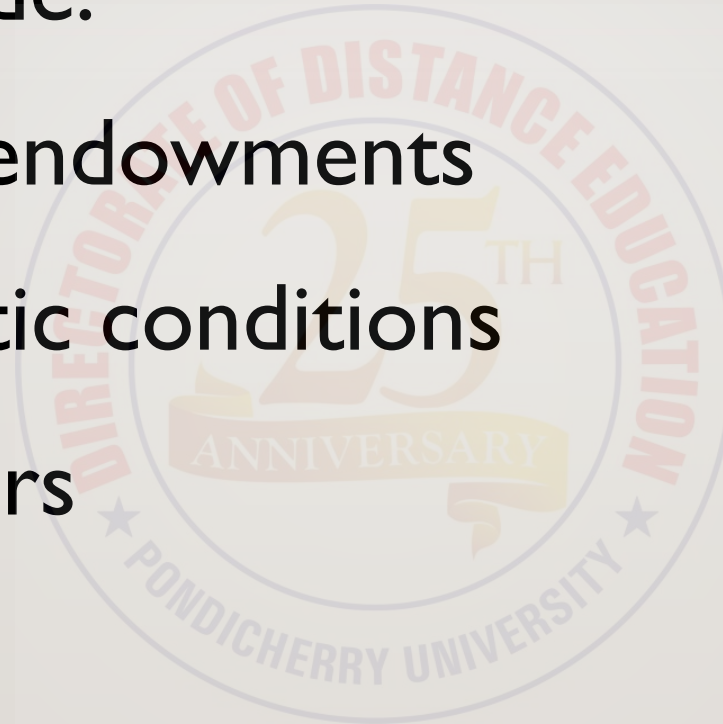
- It includes natural resources , weather , climatic conditions, topographical factors such as soil, sea, rivers, rainfall etc. Every business unit must look for these factors before choosing the location for their business.

NATURAL ENVIRONMENT

- Natural factors include geographical and ecological factors.

These factors include:

- Natural resources endowments
- Weather and climatic conditions
- Topographical factors
- Location aspects
- Port facilities etc



ENVIRONMENTAL ANALYSIS

- It is the study of the organizational environment to determine environmental factors that can significantly influence organizational operations
- How ? By measuring the weaknesses & strengths of the internal environment of the organization and the opportunities & threats of the external environment .

THE PURPOSE AND LIMITATIONS OF THE ANALYSIS

Purpose : to identify the potential influence of particular aspects of the general and operating environments on business operations.

- The environmental analysis then influences corporate planning and policy decisions.

Limitations : The analysis does not guarantee business success and the benefit of the analysis is also limited by the reliability and timeliness of data used in the analysis

BUSINESS ENVIRONMENTAL PROCESS

It includes 3 steps

- Company must identify the environmental factors that affect the business .
- Then gathers information about the selected set of environmental factors that are most likely to impact business operations
- This information serves as input to expect the impact of each environmental factor on the business

WAYS OF ENVIRONMENTAL ANALYSIS

PEST analysis : (Political, Economic, Social and Technological) focuses on the external, macro-environment in which your business operates

- Why it is important ?
- To avoid taking actions that are likely to fail, because of factors beyond your control.
- It is a useful tool to use when considering expansion into new countries or regions
- Guide you and your company to make the most appropriate decisions about the future direction of your business

OPPORTUNITIES AND THREATS IN ENVIRONMENT

- **Opportunity** – a favorable condition or trend in the market environment that can be exploited to advantage by a deliberate management effort
- **Threat** – an unfavorable condition or trend in the market environment that can, in the absence of deliberate effort by management, lead to the failure of the business, its product or its service

WAYS OF ENVIRONMENTAL ANALYSIS

SWOT analysis : Because the PEST model looks at external macro factors, it is useful to use before a SWOT Analysis.

A SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis is more micro-environment .

- Why it is important ?
- It is versatile and can be used for both personal and business issues
- By understanding the weaknesses of your business, you can manage or eliminate threats that otherwise could have come as a surprise to you.

SWOT ANALYSIS EXAMPLE

Internal	External
Strengths: <ul style="list-style-type: none">• skilled and motivated employees• well-run purchasing function• effective marketing strategies	Opportunities: <ul style="list-style-type: none">• customers loyal to the brand• new technology that can lower production costs• new markets
Weaknesses: <ul style="list-style-type: none">• high number of rejects during production• senior manager is approaching retirement• shortage of funds to finance expansion	Threats: <ul style="list-style-type: none">• shortage of raw materials• increasing interest rates• increased competition

EXTERNAL ENVIRONMENTAL ANALYSIS

Environmental Analysis has three goals:

- Provides an understanding of current and potential changes taking place
- Environmental Analysis should provide input for strategic decision making.
- Facilitate and lead to strategic decisions within an organization.

Environmental Analysis and diagnosis give strategists time to anticipate opportunities and to plan to take optional responses to these opportunities. It also helps strategists to develop an early warning system to prevent threats or to develop strategies which can turn a threat to a firm's advantage". Firms which systematically analyse and diagnose the environment are more effective than those which do not.

PROCESS OF EXTERNAL ENVIRONMENTAL ANALYSIS

The analysis consists of four steps:

- Scanning : Detect early signals of possible environmental change and detect environmental change already underway.
- Monitoring : Purpose of monitoring is to assemble sufficient data to discern whether certain trends are emerging, identification of the trends and identification of areas for further scanning.
- Forecasting : It is concerned with developing projections of the direction, scope and intensity of environmental change.
- Assessment : To determine implications for the organisation's current and potential strategy

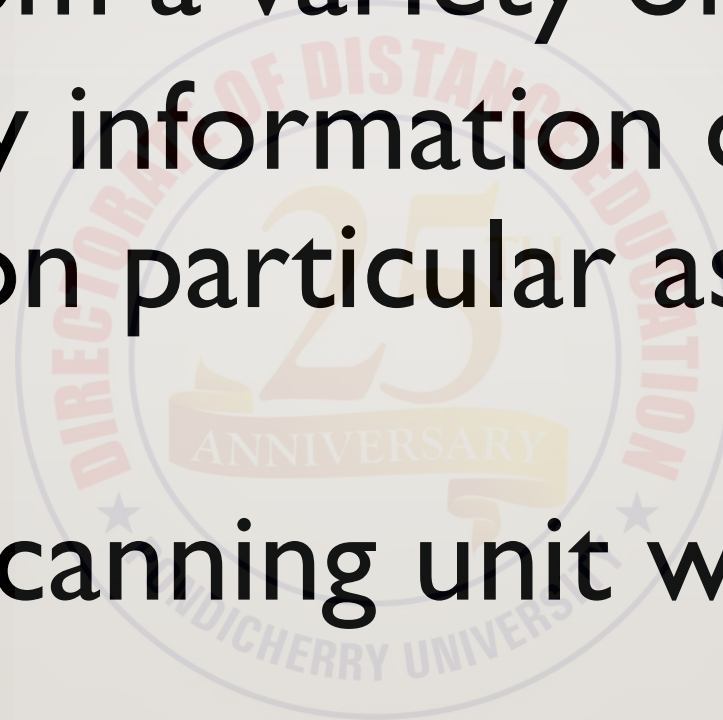
ENVIRONMENTAL SCANNING

- Known as the process of measuring, projecting and evaluating the changes in the different environmental variables
- The extent of environmental scanning is determined by the following factors:
 - The relationship between a business and its environment
 - The nature of the environment within which the business operates
 - The source and extent of change



METHODS OF ENVIRONMENTAL SCANNING

- Updating relevant secondary or published information from a variety of sources
- Adding primary information or special investigations on particular aspects of the environment
- Establishing a scanning unit within the business



ENVIRONMENTAL ANALYSIS AND MANAGEMENT



SUMMARY

- Business and its environment depend on each other for survival
- Change determines success or failure
- Proactive and anticipate change – also accelerate change
- Adapt organization to change in environment
- Environmental scanning for taking advantage and averting threats

Thank You

