

**Satish Chandra Memorial School**

**BUSINESS STUDIES**

**CLASS : XII- COMMERCE**

***Different types of question and answers from the chapter no. 3 (Business Environment) along with case studies.***

1. Which of the following does not characterise the business environment?

- (a) Uncertainty
- (b) Employees
- (c) Relativity
- (d) Complexity

**Ans:** Among the options given above, employees do not characterise business environment. Business environment refers to the external forces such as individuals, enterprises, situations, and other such forces that affect the performance of the organisation. Employees are integral to an organisation and does not characterise its environment.

---

2. Which of the following best indicates the importance of the business environment?

- (a) Identification
- (b) Improvement in performance
- (c) Coping with rapid changes
- (d) All of them

**Ans:** All the options given above indicate the importance of business environment. Study of business environment helps in identifying the positive changes as well as threats or hindrances that affects the performance of an organisation. Thereby, it helps them in taking appropriate measures for improving the performance. In addition, a careful study of the continuously changing environment helps the organisation in coping with it in a better manner.

---

3. Which of the following is an example of social environment?

- (a) Money supply in the economy

- **(b) Consumer Protection Act**
- **(c) The constitution of the country**
- **(d) Composition of family**

**Ans:** Social environment refers to the social forces such as customs, traditions, social values, social trend etc. that affect the business opportunities and performance. Among the options given in the question, composition of family represents an example of social environment. If the composition of family is such that it comprises of more of children than elderly persons then, this implies greater business opportunity for baby product companies.

---

#### **4. Liberalization means**

- **(a) Integration among the economies**
- **(b) Reduced government controls and restrictions**
- **(c) Policy of planned disinvestment**
- **(d) None of them**

**Ans:** Liberalization means reduced government controls and restrictions such as licenses and quotas.

---

#### **5. Which of the following does not explain the impact of government policy changes on business and industry?**

- **(a) More demanding customers**
- **(b) Increasing competition**
- **(c) Change in agricultural prices**
- **(d) Market orientation**

**Ans:** Among the options given above, change in agriculture prices does not explain the impact of government policy changes on business and industry. Government policy changes such as liberalisation, privatisation and globalisation affect the working of business organisations. More demanding customers, increasing competition and market orientation all explain the impact of such policy changes. On the other hand, change in agricultural prices is independent of the government policy changes and takes place due to change in the demand and supply of agricultural products.

## Short Answer Type:

### 1. What do you understand by business environment?

**Ans:** Business environment refers to all the external forces that affect the performance of a business organisation. Such forces can be economic, social, political, technological or legal. Thus, individuals, consumers, government, legal matters all compose business environment. For example, change in taste and preferences of the consumers, change in government policies, change in political scenario, change in legal polices, all make up business environment. An organisation cannot control such forces but they affect its performance either positively or adversely. For example, a change in consumer's tastes in favour of a firm's product, increases demand for its product. Similarly, an introduction of a new technology leaves the technology used by the firm obsolete and its products comparatively inferior. Thus, it can be said that everything that is outside the purview of an organisation but affects its performance composes business environment.

---

### 2. Why it is important for business enterprises to understand their environment? Explain briefly.

**Ans:** Understanding of business environment is of vital importance for successful functioning of an organisation. Any organisation cannot function independently. It's functioning and performance depends on several external forces as well. A continuous evaluation and understanding of the business environment helps a firm to take account of these forces in a better manner and thereby, improve its functioning. The following points highlight the importance of understanding of environment for business enterprises.

**i. Identification of Opportunities:** With a careful analysis of the business environment an enterprise can identify the positive opportunities for business. An early identification of the opportunities helps it in taking first hand advantage in competition.

#### **ii. Identification of Threats:**

Besides positive opportunities, a study of business environment helps an enterprise in the identification of threats or negative signals that may adversely affects its functioning. Thereby, it enables it to take appropriate preventive measures.

**iii. Accumulating Useful Resources:** Environment provides a business various resources or inputs for its functioning such as raw material, machinery, labour, etc. On the other hand, enterprises provide the environment with output in the form of goods and services. That is, environment acts both as a source of resources as well as a source of demand for the products of the enterprises. Thus, it becomes logical for the enterprises to take up those resources from the environment that can be converted into the desired output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer.

**iv. Adjusting to Changes:** Business environment is dynamic in nature. Changes in technology, consumers taste and preference, government policies take place continuously. A careful analysis and understanding of the environment helps an enterprise in dealing with these changes in a better manner and thereby, take appropriate actions.

**v. Formulating Plans and Policies:** A continuous study of environment helps an organisation in the identification of the opportunities and threats. Thereby, it guides the organisation in framing suitable plans and policies in view of the current scenario.

**vi. Improving Performance:** A continuous analysis of the environment helps the enterprises in framing suitable policies and plans and thereby, improves their performance.

---

### 3. Mention the various dimensions of business environment.

**Ans:** The following are the dimensions of business environment.

**i. Economic Environment:** It comprises of the economic variables such as interest rates, income, stock market indices that affect the functioning of the enterprises. For example, an increase in income affects the demand for goods and services of the enterprises.

**ii. Social Environment:** Social environment refers to the social forces such as customs, traditions, social values, social trend etc. For example, religious celebrations provide business opportunities to many enterprises such as those producing sweets, decoration items, etc.

**iii. Technological Environment:** Technological environment includes technological changes and improvements. For example, introduction of computers, internet, new telecommunication facilities, etc. all affect the business enterprises. An improvement in the technology used in the manufacturing of a product provides new business opportunities for the enterprises while on the other hand, is a threat for the enterprises using obsolete technology.

**iv. Legal Environment:** It comprises of the legislation and rules passed by the government such as the Companies Act, Trade union Act, etc. These legislations govern how an enterprise functions and behaves. Knowledge of these legislation is essential for enterprises as their non-compliance can lead to legal trouble for them.

**v. Political Environment:** Political conditions such as peace and stability, law and order compose political business environment. It directly affects the functioning of enterprises. For example, a situation of political unrest erodes confidence of the investors and thereby, makes it difficult for the enterprises to function smoothly.

---

### 4. Briefly explain the following:

**(a) Liberalisation**

**(b) Privatisation**

**(c) Globalisation**

**Ans: (a) Liberalisation:** Liberalisation refers to the removal of unnecessary controls and restrictions of the government in the form of licenses, permits and quotas. India initiated liberalisation of industries in 1991. Liberalisation of industries in India took the following form.

**(i)** License required for the establishment of industries were abolished.

**(ii)** Enterprises became free in deciding the scale and size of production and the price of the products

**(iii)** Restrictions were removed on the movement of goods and services

**(iv)** Procedures regarding exports and imports were relaxed

**(b) Privatisation:** Privatisation implies according greater role to the private sector and reducing the involvement of public sector. Privatisation was followed in India in the following manner.

**(i)** Disinvestment of the public sector enterprises

**(ii)** Establishing Board of Industrial and Financial Reconstruction for the revival of the sick and loss making enterprises.

**(iii)** Diluting the stake of government in the public sector enterprises.

**(c) Globalisation:** Globalisation refers to the process of integration of various economies of the world. It implies reducing the restrictions on the import and export such as licensing and tariffs. In India the following policies were followed with regard to globalisation.

**(i)** Removal on restriction on imports

**(ii)** Abolishing the export duty

**(iii)** Reducing import duty

---

**5. Briefly discuss the impact of government policy changes on the business and industry.**

**Ans:** The policies of liberalisation, privatisation and globalisation by the government affect the functioning of the business enterprises. The following points highlight the impact of government policy changes on the business and industry.

**i. Increased Competition:** As a result of the policies such as relaxation of the licensing policy and reduction of import duties, the competition faced by the domestic firms increases. India companies experienced competition in service industry such as telecommunication, banking, insurance, etc.

**ii. Increased Demand:** As competition increases, the choice of goods and services for the consumers also increases. Thus, consumers also gain from quality products and greater variety.

**iii. Change in Business Policies:** The government policies directly impact the functioning of the business enterprises. As a result, they have to alter their policies appropriately.

**iv. Technological Changes:** As competition increases firms tend to find new and innovative ways to survive in the market. In such a scenario, technological improvements become imperative.

**v. Need for Trained Personnel:** Innovations and improvement in product, application of improved technologies requires skilled and trained personnel. Thus, there arises a need for the development of human resources.

**vi. Greater Market Orientation:** With increased competition, the production has become market oriented. That is, the enterprises produce as per the demand market.

**vii. Less Reliance on Budgetary Support by Public Sector Enterprises:** To survive the increased competition, the public sector enterprises must improve efficiency and productivity rather than relying on budgetary support to cover their losses.

---

### Long Answer Type:

**1. How would you characterise business environment? Explain, with examples, the difference between general and specific environment.**

**Ans:** Business environment refers to all the external forces such as economic, social, political, technological or legal that affects the performance of a business organisation. In other words, everything that is outside the purview of an organisation but affects its performance composes business environment.

Business environment has the following characteristics.

**i. Aggregate of External Forces:** Business environment is the total of all the external forces such as individuals, consumers, government, legal matters that affect the performance of an organisation either positively or negatively.

**ii. Interrelation:** Different forces of business environment are closely related to each other. For example, an increase in the income of the consumers increases the demand for consumer durables such as television, refrigerator, etc.

**iii. Ever Changing:** Business environment is dynamic and ever changing in nature. For example, consumer tastes and preferences, technology, government rules and policies keep changing continuously.

**iv. Uncertainty:**

Business environment is uncertain. Changes in different forces of the environment cannot be predicted easily. In addition, dynamism of the forces makes it even more uncertain.

**v. Complex:** Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand. For example, all political, social, economic, technological and legal matters affect the performance of organisation simultaneously. While, it may be easy to understand the individual effect of these forces, their cumulative effect is quite difficult to understand.

**vi. Relative:** Business environment is relative in nature. It differs from region to region. For example, political conditions, religious beliefs, government rules and policies differ from one region to another.

**Specific Environment and General Environment:** Specific environment refers to those external forces that affect an organisation directly. That is, they are the forces that are specific to a particular organisation or a company. For example, a change in tastes and preferences of consumers towards the products of a company, directly affects its demand. Similarly, a delay in the supply of raw material from the suppliers directly affects the production of a company.

On the other hand, general environment refers to those external forces that affect all the organisations. As against specific forces, general forces do not pertain to a particular organisation, rather they affect the performance of all the organisations. Thus, such forces affect a particular organisation only indirectly. For example, a change in technology affects the quantity and quality of production of all the organisations. Similarly, a change in political conditions affects all companies simultaneously.

---

**2. How would you argue that the success of a business enterprise is significantly influenced by its environment?**

**Ans:** Any organisation cannot function in isolation. Rather, it's working and actions are influenced by many external forces such as social and political conditions, technological changes, etc. Such external forces compose environment for an organisation. It is of prime importance for any organisation to have an understanding of the business environment. A continuous study of the business environment enables an organisation to identify the forces that affects it functioning and thereby, helps it in reacting and coping with these forces in an appropriate manner. The following points highlight the importance of environment for the success of a business organisation.

**(a) Identification of Opportunities:** Changing business environment offers many positive opportunities for business. A careful analysis of the environment enables an enterprise to identify these positive opportunities and take first hand advantage in competition. That is, it enables the organisation to gain maximum benefit and move ahead of its competitors. For example, Tata recognised the demand for a small and economical car in India and thereby, launched the popular Tata Nano at a price of just one lakh. Thus, it became the leader in low cost car in India.

**(b) Identification of Threats:** Besides positive opportunities, certain changes in the environment may also affect the functioning of an environment adversely. A study of business environment helps an enterprise in the identification of these threats or negative signals. Thereby, it enables it to take appropriate preventive measures. For example, if a mobile manufacturing company finds that another company is coming up with new and improved features in its product, then it acts a competition for it. An identification of the threats can enable the organisation to take appropriate measures such as improving the quality and features of its mobile, advertising, etc.

**(c) Accumulating Useful Resources:**

Environment acts a source of inputs or resources such as raw material, machinery, labour, etc. required for the functioning of an organisation. On the other hand, environment also acts a source of demand for goods and services produced by the organisation. Thus, it is rational for the organisations to take up those resources from the environment that can be converted into the desired output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer. For example, with a rise in demand for the touch screen technology in mobile phones, manufacturers are accumulating resources required for manufacturing touch screen phones.

**(d) Adjusting to Changes:** Business environment is dynamic in nature. Technology, consumers taste and preference, government policies, political conditions change continuously. A careful analysis and understanding of the environment helps an enterprise in dealing with these changes in a better manner and take appropriate actions. For example, by a study of business environment many bakery enterprises have realised the growing demand for sugar-free products and are increasing the production of such bakery products.

NCERT Solutions class 12 Business studies Business Environment

**(e) Formulating Plans and Policies:** With a continuous study of the environment an organisation can identify various threats and opportunities for its business. Accordingly, it can frame suitable plans and policies in view of the current scenario. For example, if on analysing the market for clothes in India, it is found that there is an increasing demand for western wear, then a cloth manufacturing company can frame policies and strategies to incorporate western wear in its production.

**(f) Improving Performance:** An analysis of the business environment helps the enterprises in identifying various threats and opportunities that affect its performance. It helps the organisation in dealing with these changes in an appropriate manner. Thereby, it helps it in improving its performance.

---

**3. Explain with examples, the various dimensions of business environment.**

**Ans:** The following are the dimensions of business environment.

**i. Economic Environment:** It comprises of the economic variables such as interest rates, income, stock market indices that affect the functioning of the enterprises. For example, an increase in the income of the consumers increases the demand for goods and services of the enterprises. Similarly, a fall in the interest rates for loans for consumer durables increases the spending capacity and thereby, increases the demand for such products.

**ii. Social Environment:** Social environment refers to the social forces such as customs, traditions, social values, social trend etc. For example, religious celebrations provide business opportunities to many enterprises such as those producing sweets, decoration items, etc. Similarly, in India a change in social trend towards western lifestyle has increased the demand for western wear, fast food, etc.

**iii. Technological Environment:** Technological environment comprises of the technological changes and improvements. For example, introduction of computers, internet, have changed the way organisations work today. Similarly, continuous improvement and innovations in the technology used in the production improves the quality of production. While on one hand, improvement in technology provides new business opportunities for the enterprises, on the other hand, is a threat for the enterprises using obsolete technology.

**iv. Legal Environment:**

It refers to the legislation and rules passed by the government such as the Companies Act, Trade union Act, etc. Knowledge of these legislation is essential for enterprises as their non-compliance can lead to legal trouble for them. For example, an export-import company in India has to follow the rules and regulations as stated under the EXIM policy and the Foreign Trade (Development and Regulation) Act, 1992. Similarly, the refining, processing, distribution, sale of petroleum, petroleum products is governed by the Petroleum and Natural Gas Regulatory Board Act, 2006.

**v. Political Environment:** Political environment comprises of political conditions such as peace and stability, law and order, etc. For example, a situation of political unrest such as frequent change in the ruling government implies a change in the rules and policies of the government regarding production and manufacturing. Such a frequent change in the regulations regarding

production discourages investment. Similarly, the opening up of our economy under the New Economic Policy in 1991, provided business opportunity to many foreign companies.

---

#### **4. What economic changes were initiated by the government under the Industrial Policy, 1991? What impact have these changes made on the business and industry?**

**Ans:** Government of India introduced the Industrial Policy, in July 1991. Major highlights of the policy are as follows.

**(i) Abolition of Licensing**– Under the new industrial policy 1991, compulsory licensing system was abolished. In other words, with the industrial reforms the private players were free to start a new venture without the need to obtain a license. However, the system of licensing was retained in six industries namely, liquor, cigarette, defence equipment, dangerous chemicals, industrial explosives, and drugs and pharmaceuticals.

**(ii) De-reservation**– The number of industries exclusively reserved for the public sector was considerably reduced. The private sector was allowed operation in majority of the industries with only 3 industries under the exclusive purview of the government namely, railways, atomic mineral and atomic energy.

**(iii) Augmentation of Production Capacity**–Prior to the policy, industries had to obtain permission from the government in order to expand the scale of production. With liberalisation policy the MRTP companies (companies having assets worth more than Rs 100 crore) were free to expand the scale of their business according to the market conditions.

**(iv) Freedom in Importing Capital Goods**– Under the policy, industrialists were permitted to import capital goods from the foreign countries. 100 percent FDI was allowed in the foreign capital.

**(v) Reforms in the Small Scale Industries**–In India, small scale industries are defined on the basis of maximum investment that is allowed in the unit. With the commencement of reforms, the maximum limit has been increased from Rs 5 lakh to Rs 1 crore. This encouraged development and modernisation of the industries. Further, the number of products reserved for the small scale industries was reduced.

#### **(vi) Disinvestment**–

The process of disinvestment was carried out for many public sector enterprises. That is, an increasing share of the assets of the public industrial enterprises was sold to the private sector.

**(vii) Foreign Investment Promotion Board**–This board was set up to encourage and channelise foreign investment in India.

The impact of these changes on the business and industry is highlighted in the following points.

**(a) Increased Competition:** As a result of the policies such as abolition of the licensing policy, dereservation the competition faced by the domestic companies has increased. India companies experienced competition in service industry such as telecommunication, banking, insurance, etc.

**(b) Increased Demand:** With increased competition the choice of goods and services for the consumers has also increased. Thus, consumers also gain from quality products and greater variety.

**(c) Change in Business Policies:** The government policies under new industrial policy directly affected the functioning of the business enterprises. As a result, they altered their policies and operations appropriately.

**(d) Technological Changes:** With the increase in competition, firms tend to find new and innovative ways to survive in the market. They increasingly adopt new technology and engage in further research and development.

**(e) Need for Trained Personnel:** Due to innovations and improvement in product, application of improved technologies, the demand for skilled, trained and competent personnel has increased. Thus, there arises a need for the development of human resources.

NCERT Solutions class 12 Business studies Business Environment

**(f) Greater Market Orientation:**

With increased competition, it has become imperative for the enterprises to change the production as per the market demand. That is, the production has become market oriented.

**(g) Less Reliance on Budgetary Support by Public Sector Enterprises:** To survive the increased competition, the public sector enterprises have realised the need for improving the efficiency and productivity. They have reduced their reliance on budgetary support to cover their losses.

---

## 5. What are the essential features of

- i. Liberalisation
- ii. Privatisation
- iii. Globalisation

**Ans: Liberalisation:** Liberalisation refers to the removal of unnecessary controls and restrictions of the government in the form of licences, permits and quotas. India initiated liberalisation of industries in 1991. Liberalisation of industries in India took the following form.

**(i) Abolition of licenses:** License required for the establishment of industries were abolished. The system of licensing was retained only for six industries namely, liquor, cigarette, defence equipment, dangerous chemicals, industrial explosives, and drugs and pharmaceuticals.

**(ii) Augmentation of Production:** Enterprises became free in deciding the scale and size of production and the price of the products. The MRTP companies (companies having assets worth more than Rs 100 crore) were free to expand the scale of their business according to the market conditions.

**(iii) Removal of Trade Restrictions:** Various restrictions regarding trade such as quantitative restrictions, customs, duties, tariff, etc. were removed to ease the movement of goods and services.

**(iv) Encouragement to Foreign Direct Investment (FDI):** Emphasis was laid to encourage competition in the market and to attract Foreign Direct Investment (FDI) from other countries.

### **Privatisation:**

Privatisation refers to the gradual transfer of ownership or management of state owned enterprises from the public sector to the private sector enterprises. It implies assigning a greater role to the private sector undertakings. In India, privatisation was followed in the following manner.

**(i) Disinvestment:** For disinvestment, the government adopted two methods. First, selling off a part of the equity of the PSU's and second, strategic sale of PSU's. Under privatisation, a large portion of the equity of the PSU's was sold to the private sector. Also, strategic sale of a number of companies such as Modern Foods India, Bharat Aluminium Company (BALCO), Maruti Udyog Ltd., etc. was undertaken.

**(ii) Establishing Board of Industrial and Financial Reconstruction:** This board was established for the revival of the sick and loss making enterprises.

**(iii) Reducing the Role of Public Sector:** Under privatisation, the number of industries that were exclusively reserved for the public sector was reduced considerably from 17 to 8. At present, only 3 industries are exclusively reserved for the public sector namely, railways, atomic mineral and atomic energy.

**(iv) Navratna Policy:** To improve efficiency, infuse professionalism and to enable PSUs to compete effectively in the market, government awarded the status of '*Navaratnas*' to nine high performing PSUs.

**Globalisation:** Globalisation refers to the process of integration of various economies of the world. It is the process associated with increasing openness, growing economic independence and promoting economic integration in the world economy. In India, the following policies were followed with regard to globalisation.

**(i) Removal on Trade Restriction:** Various barriers on trade such as tariffs, custom duties, quotas, etc. were reduced considerably.

**(ii) Reducing the Export Duty and Import Duty:** Various duties and taxes on import and export were removed to promote free trade.

**(iii) Encouragement to Foreign Capital Investment:** With the aim of encouraging foreign capital investment various steps were taken such as increasing the equity limit of foreign capital, setting up of special economic zones, introduction of Foreign Exchange Management Act (FEMA).

---

## **6. Explain the changes initiated by the Government of India since 1991.**

**Ans.** Following changes have been observed since 1991:

### **(i) New Industrial Policy:**

- Government has begun disinvesting in public sector undertakings.
- There are new schemes to attract Foreign Direct Investment (FDI).
- There is prompt clearance of foreign investment proposals.
- Tax concessions are given to units in Special Economic Zones (SEZs).
- There is broadband facility in telecom sector.
- Abolition of industrial registration schemes.

### **(ii) New Trade Policy:**

- There is liberalization of import policy.
- Deemed exporters are entitled to special import licenses.
- There are greater concessions to Export Oriented Units (EOU) and units in Export Promotion Zones (EPZ).
- Credit is now less expensive and many imports are duty free.
- Simplification of procedures related to export promotion.
- Removal of export quotas & reduction in import duties.

### **(iii) Fiscal Reforms**

- Measures have been taken to bring down fiscal deficit.
- Tax reforms have been initiated to increase revenue and tax compliance.
- Reduction in direct and indirect taxes.
- Decrease in subsidies.

### **(iv) Monetary Reforms**

- Phased reduction of statutory liquidity ratio (SLR).
- Private sector banks allowed to set up new branches.
- Banks have now been allowed to access capital market for raising capital.
- Permission for disinvestment (up to 49% of total equity).

### **(v) Capital Market Reforms**

- Ceiling on rate of interest on debentures and bonds abolished. FIs can access capital markets.
- Private sector can set up mutual funds.

- Bonus issues have been made more liberal.
- Security and Exchange Board of India (SEBI) has been made a statutory body

## Case Studies

### **Question 1:**

Metlapp Networks and Technologies Ltd. is a leader in technology innovation in the United States, creating products and solutions for connecting the world. It has,, a large research and development team which invented the first smart watch, named as W-7. The watch besides showing the time, also monitors few health parameters like heartbeat, blood pressure etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of simplified export procedure and removal of quantitative as well as tariff restrictions in India.

It set up its office in Jamnagar with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefiting the customers.

1. In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.
2. Also, explain briefly any three impacts of these concepts on Indian business and industry.

### **Answer:**

1. Liberalisation and globalisation are the two major concepts related to government policy that have been discussed.
  - Liberalisation: These economic reforms signalled the end of the licence-permit-quota raj and were aimed at liberalising the Indian business and industry from all unnecessary controls and restrictions.
  - Globalisation: Globalisation means the integration of the various economies of the world leading towards the emergence of a cohesive global economy.
2. The three impacts of reforms on Indian business and industry are outlined below:
  - Increasing competition: The Indian firms are facing lot of competition due to changes in the rules of industrial licensing and entry of foreign firms. This change is more apparent in the sectors which were earlier reserved for private sector only like banking, insurance, telecommunications, etc.

- More demanding customers: With the easy availability of wider choice in purchasing better quality of goods and services due to high competition consumers have become more aware and demanding. The growing expectations of the consumers has increased the pressure on the business firms.
- Rapidly changing technological environment: With the entry of new firms which are far more superior in terms of technology the small firms are facing a lot of challenges. Moreover, the firms are constantly involved in innovating new products and upgrading present products with the help of better technologies in order to satisfy the customers demands.

**Question 2:**

Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyse the business environment which consists of investors', competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes which may hinder their business performance. He emphasised on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

1. Identify and state the component of business environment highlighted in the above Para.
2. State any two features of business environment as discussed by Professor Mehta with Naman and Govind.
3. Also state two points of importance of business environment as stated by Professor Mehta in the above situation.

**Answer:**

1. Technological Environment is the component of business environment highlighted in the above Para. Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
2. The two features of business environment as discussed by Professor Mehta with Naman and Govind are as follows:

- Dynamic nature: It is dynamic in nature and keeps on changing due to technological upgradations, shifts in consumer preferences or increase in competition in the market.
  - Inter-relatedness: All the elements of business environment are closely interrelated. Therefore, any change in one element may necessitate corresponding changes in the other elements as well.
3. The two points of importance of business environment as stated by Professor Mehta in the above situation are described below:
- It enables the firm to identify opportunities and getting the first mover advantage: The dynamic business environment provides numerous opportunities for a business to evolve as per the changing needs. Therefore, early identification of the forthcoming opportunities helps an enterprise to be the first to exploit them instead of losing them to the competitors.
  - It helps the firm to identify threats and early warning signals: Sometimes the changes in the external environment may pose as a threat and hinder a firm's performance. An awareness about the business environment helps the managers to identify such threats on time and take necessary decisions and action.

**Question 3:**

With changes in the consumption habits of people, Neelesh, who was running a sweet shop, shifted to the chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got a lot of orders online and earned huge profits by selling the chocolate.

Identify and explain the dimensions of business environment discussed in the above case.

**Answer:**

The various dimensions of business environment being referred to in the above case are as follows:

1. Social environment: Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
2. Technological environment: Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

**Question 4:**

A recent rate cut in the interest on loans announced by the banks encouraged Amit, a science student of Progressive School, to take a loan from State Bank of India to experiment and

develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organised by the Directorate of Education. He was awarded the first prize for his invention.

Identify and explain the dimensions of business environment discussed in the above case.

**Answer:**

The various dimensions of business environment being referred to in the above case are as follows:

1. Economic Environment: It comprises of factors that can affect management practices in a business enterprise includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.
2. Technological Environment: It includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

**Question 5:**

'Accent Electronics Ltd.' was operating its business in Malaysia. The company started exporting its products to India when the Prime Minister announced relaxation in import duties on electronic items. The company appointed retailers in India who had direct online links with the suppliers to replenish stocks when needed.

Identify and explain the dimensions of business environment discussed in the above case.

**Answer:**

The various dimensions of business environment being referred to in the above case are as follows:

1. Political Environment: Political Environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
2. Technological Environment: Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

**Question 6:**

After completing her MBA, Beni took up a job with a multinational company named Fortio. The company paid good salaries and perks to its employees. The wages were within the paying capacity of the company that provided the employees with a reasonable standard of living. The company also had a good work-culture and the behaviour of superiors was very good towards their subordinates. Beni was very happy in this organisation but due to long working hours, she did not have time to cook her meals. She had to depend upon outside food which was deteriorating her health.

She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working

women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office-goers at a reasonable price. At the end of the day, she also distributed the leftover food to the nearby night-shelters.

1. State the dimension of business environment being discussed above.
2. State the principle of management being followed by Fortio.
3. Identify any two values being communicated by the company to society in above case.

**Answer:**

1. The dimension of business environment being discussed above is Social. Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
2. The principle of management being followed by Fortio is 'Remuneration of employees'. Remuneration of employees: The overall pay and compensation should be fair to both employees and the organization. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company i.e. remuneration should be just and equitable.
3. The values being communicated by the company to the society are:
  - Justice
  - Ethical Behaviour

**Question 7:**

After completing his MBA from the USA, Mr. Ajay came to India to start a new business under the banner Ecom Creations Ltd. He launched a new product in e-learning for senior secondary school students in the commerce stream which already had an established market in the UK and the USA but not in India. His business started flourishing in India. As a result, more Indian companies entered into the market with other subjects also.

Identify and quote the lines from the above paragraph which highlight the significance of understanding business environment.

**Answer:**

1. The understanding of business environment helps in assisting in planning and policy formulation as its understanding and analysis can be the basis for deciding the future course of action or decision making.  
It enables the firm to identify opportunities and getting the first mover advantage instead of losing them to its competitors.

” After completing his MBA from USA, Mr. Ajay came to India .to start a new business under the banner Ecom Creations Ltd. He launched a new product in e-learning for senior secondary school students in the commerce stream which already had an established market in UK and the USA but not in India.”

2. It helps in improving performance of an enterprise through continuous monitoring of the environment and adopting suitable business practices which help to improve both their present and future performance.

“His business started flourishing in India.”

3. It helps the firm to identify threats and early warning signals that is likely to hinder a firm’s performance and take timely actions.

“As a result, more Indian companies entered into the market with other subjects.”

**Question 8:**

As per the directions issued by the Supreme Court, the government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions as:

1. Its consumption is injurious to health.
2. People are becoming more conscious about health and fitness. This indicates the government’s attitude towards this business.

Identify the business environment under three different dimensions by quoting from above paragraph.

**Answer:**

The various dimensions of business environment being referred to the in the above case are as follows:

1. Legal Environment: “As per the directions issued by the Supreme Court.’
2. Political Environment: “The government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions.”
3. Social Environment: “Its consumption is injurious to health and people are becoming more conscious about health and fitness.”

**Question 9:**

The court passed an order to ban polythene bags as:

1. These bags create many environmental problems which affect the life of people.
2. Society at large is more concerned about the quality of life.

The government decided to give a subsidy to the jute industry in order to promote this business. As a result,—

- Innovative techniques are being developed to manufacture jute bags at low rates.
  - Incomes are rising and people can afford to buy these bags.
- Identify the different dimensions of business environment by quoting lines from the above particulars.

**Answer:**

The various dimensions of business environment being referred to in the above case are as follows:

1. Legal Environment: "The court passed an order to ban polythene bags."
2. Social Environment: "The bags create many environmental problems which affect the life of people and society at large is more concerned about the,,quality of life."
3. Political Environment: "The government decided to give a subsidy to the jute industry in order to promote this business."
4. Technological environment: "Innovative techniques are being developed to manufacture jute bags at low rate."
5. Economic Environment: "Incomes are rising and people can afford to buy these bags."

**Question 10:**

The court passed an order that all schools must have water purifiers for the school children as:

1. Society in general is more concerned about the quality of life. .
  2. Innovative techniques are being developed to manufacture water purifiers at competitive rates.
  3. Incomes are rising and children are drinking purified water at their homes as well.
  4. The Government is also showing a positive attitude towards the business of water purification.
- Identify the different dimensions of business environment by quoting from the above details.

**Answer:**

The various dimensions of business environment being referred to the in the above case are as follows:

1. Legal Environment: "The court passed an order that all schools must have water purifiers for the school children."
2. Social Environment: "Society in general is more concerned about the quality of life."

3. Political Environment: "The government is also showing a positive attitude towards the business of water purifiers."
4. Technological environment: "Innovative techniques are being developed to manufacture water purifiers at competitive rate."
5. Economic Environment: "Incomes are rising and children are drinking purified water at their homes as well."

**Question 11:**

Just after the declaration of the results of the Lok Sabha Elections, 2009, the Bombay Stock Exchange's price index (Sensex) rose by 2100 points in a day. Identify the environmental factor which led to this rise.

**Answer:**

Political environment has led to the rise in the sensex.

**Question 12:**

The Government of India is seriously thinking of allowing the oil-marketing public sector undertaking to fix their own prices for petrol and diesel. Which economic reform is the reason for this change in the government's policy?

**Answer:**

Privatisation as a reform is the reason for this change in the government policy.

**ADDITIONAL QUESTIONS**

**Question 1:**

On 8 November 2016, the Government of India announced the demonetisation making all Rs.500 and Rs. 1,000 banknotes of the Mahatma Gandhi Series invalid past midnight. The government claimed that the action would curtail the use of illicit and counterfeit cash to fund illegal activity and terrorism. The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the day after the announcement. The decision was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament and triggering organised protests against the government in several places across India. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash. After demonetisation the demand for point of sales (POS) or card swipe machines has increased. E-payment options like PayTM has also seen a rise.

In context of the above case:

1. Identify and explain the various dimensions of business environment which relate to the above mentioned case.
2. List any through two values that the government seeks to promote through demonetisation.

**Answer:**

1. The various dimensions of business environment which relate to the above mentioned case are outlined below:
  - Political Environment: Political Environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
  - Technological environment: Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
  - Legal environment: Legal Environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— centre, state or local .
  - Social environment: Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
  - Economic Environment: Economic Environment comprises of factors that can affect management practices in a business enterprise includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.
2. The two values that the government seeks to promote through demonitisation are:
  - Transparency in dealings
  - Promote well being of people

**Question 2:**

Post demonitisation in a further push to cashless economy, the Central cabinet has recently approved the ordinance for paying wages via electronic means. Accordingly, the government approved to Amend Section 6 of the Payment Of Wages Act 1936, to allow employers of certain industries to make payment through the electronic mode and cheques . The new ordinance will be applicable to the public sector. Identify the various dimensions of business environment which relate to the above mentioned case.

**Answer:**

The various dimensions of business environment which relate to the above mentioned case stated below:

1. Political environment

2. Legal environment
3. Technology environment

**Question 3:**

Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India. It focuses on job creation and skill enhancement and is in twenty five sectors of the economy. Under the initiative, brochures on these sectors and a web portal were released. The initiative aims at high quality standards and minimising the impact on the environment. It also seeks to attract foreign capital investment in India.

In context of the above case:

1. Identify the various dimensions of business environment being referred to by quoting lines from the paragraph.
2. List any two values which the Government of India wants to convey through this initiative.

**Answer:**

1. The various dimensions of business environment being referred to in the above case are as follows:
  - Political Environment: "Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India."
  - Technological Environment: "Under the initiative, brochures on the twenty five sectors and a web portal were released."
  - Economic Environment: "It also seeks to attract foreign capital investment in India."
2. The two values which the Government of India wants to convey through this initiative are:
  - High quality standards
  - Concern for environment

**Question 4:**

India's retail sector has been undergoing structural changes for the last two decades. On one hand, the 'mall culture' has gradually become a way of life, especially in the metros and mini-metros. On the other hand, there is accelerated growth in e-business as customers also prefer to buy products and services via the Internet, telephone and television. However,

operating in either of the segments is marked by the presence of strong competitors. Identify the components of specific forces and general forces being discussed in the above paragraph.

**Answer:**

The components of specific forces discussed in the above paragraph are the customers and competitors.

The components of general forces discussed in the above paragraph is the social and technological conditions.

**Question 5:**

Kapil Sharma is working as the Country Head of a company which owns a chain of malls under the name of 'Virtuoso' in the various parts of India. Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer's convenience. Hence, malls will have to provide much more than shopping to be able to attract customers. So, he recommends that 'Virtuoso' malls should to be restructured into recreation centres, offering more spaces to socialise, host events and concerts, and provide ample Food and Beverages options.

Consequently the share of entertainment segment and Food and Beverages segment in the overall mall space is increased by 20%. As a result, the company gains enormously by getting the first mover advantage.

In context of the above case :

1. Define the term 'Business Environment'.
2. Explain the terms 'Threats' and 'Opportunities' by quoting lines from the paragraph.

**Answer:**

1. The term 'Business Environment' means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.
2. The term 'Threats' refers to the external environment, trends and changes that will hinder a firm's performance.  
"Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer's convenience. Hence, malls will have to provide much more than shopping to be able to attract customers."  
The term 'opportunities' refers to the positive external trends or changes that will help a firm to improve its performance.  
"As a result, the company gains enormously by getting the first mover advantage."

**Question 6:**

“Zero Defect Zero Effect” (ZED) is a slogan coined by the Prime Minister of India, Narendra Modi with reference to the Make in India initiative launched by the government. The slogan reflects the efficiency of production processes, i.e. the products have no defects and the process through which the product is made has zero adverse environmental and ecological effects. The ZED model aims to make India the manufacturing hub of the world and prevent the products developed in India from being rejected by the global market. Moreover, before the initiative was launched, the limits of foreign direct investment in various sectors had been relaxed. The application for licences was made available online and the validity of licences was increased to three years. Various other norms and procedures were also relaxed by the government. In the light of the above paragraph, identify and explain the major component of New Economic Policy of 1991 that are being referred to by quoting lines from the paragraph.

**Answer:**

The major components of New Economic Policy of 1991 that are being referred to are as follows:

1. Liberalisation: These economic reforms signalled the end of the licence-permit-quota raj and were aimed at liberalising the Indian business and industry from all unnecessary controls and restrictions.  
“Moreover, before the initiative was launched, the limits of foreign direct investment in various sectors had been relaxed. The application for licences was made available online and the validity of licences was increased to three years. Various other norms and procedures were also relaxed by the government.”
2. Globalisation: Globalisation means the integration of the various economies of the world leading towards the emergence of a cohesive global economy.  
“The ZED model aims to make India the manufacturing hub of the world and prevent the products developed in India from being rejected by the global market.”

**Question 7:**

It is interesting to know that the menu items of the multinational food chains are customised to suit the general palates of the local people in the region. When McDonald’s started its business in India in the year 1996, the company went through a complete localisation strategy. McDonald’s changed its product menu to accommodate the vegetable burger given the large vegetarian population. It also altered its store design and even reduced the product price by close to fifteen per cent. Also, the “McAloo Tikki burger” is not available anywhere but in the Indian outlets of McDonalds.

Identify the relevant feature of business environment being discussed above.

**Answer:**

**Relativity** is the relevant feature of business environment which is being discussed above.

**Question 8:**

Eco-friendly products are gaining power as the consumers’ awareness about environmental

issues has increased over the years and they are conscious about choosing products that do not have adverse effects on the environment. They are now more conscious about the carbon emission and climate change effects, and want themselves to be 'seen' as a green advocate among their peers. In such a scenario, it has become a challenge for the companies as they have to not only meet the needs of the consumers but also ensure that their products are safe and environment friendly. As a result, there is growing need for better and advanced technologies to work as a catalyst in this regard.

1. Identify the relevant feature of business environment being discussed above.
2. Describe briefly any three points which highlight the importance of business environment and its understanding by managers.

**Answer:**

1. Inter-relatedness is the relevant feature of business environment which is being discussed above.
2. The three points which highlight the importance of business environment and its understanding by managers are described below:
  - It enables the firm to identify opportunities and getting the first mover advantage: The dynamic business environment provides numerous opportunities for a business to evolve as per the changing needs. Therefore, early identification of the forthcoming opportunities helps an enterprise to be the first to exploit them instead of losing them to the competitors.
  - It helps the firm to identify threats and early warning signals: Sometimes the changes in the external environment may pose as a threat and hinder a firm's performance. An awareness about the business environment helps the managers to identify such threats on time and take necessary decisions and action.
  - It helps in tapping useful resources: As the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires.

**Question 9:**

In the year 2016, the State Government of Kerala had made it mandatory for anganwadis hostels and canteens in educational institutions to secure the Food Safety and Standards Authority of India (FSSAI) licence to ensure food safety. As the educational institutions also get categorised as food business operators in the event of the annual turnover of the hostels, they run exceeding Rs. 12 lakh per annum.

In context of the above case:

1. Identify and explain the various dimensions of business environment being referred to here.
2. List any two values which the State Government of Kerala wants to convey through this initiative.

**Answer:**

1. The various dimensions of business environment being referred to in the above case are as follows:
  - Political Environment: Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
  - Legal Environment: Legal environment includes various legislations passed by the government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government -Center, State or Local .
2. The two values which the State Government of Kerala wants to convey through this initiative are:
  - High quality standards
  - Good health

**Question 10:**

Postage stamps have been unveiled to commemorate 140 years of existence of the country's first stock exchange the Bombay Stock Exchange (BSE). The setting up of BSE is considered to be the greatest revolution that took place in the financial markets in India as it acts as a key driver for economic growth of a country. This is due to the fact that there exists a strong correlation between economic growth and capital accumulation.

In the context of the above case:

1. Identify the dimension of business environment of India being referred here.
2. State any three factors which broadly affect the dimension of business environment of India as identified in part (a) of the question.

**Answer:**

1. Economic environment is the dimension of business environment of India being referred here.
2. The three factors which broadly affect the economic environment of India are stated below:

- Stage of economic development of the country.
- The economic structure in the form of mixed economy which recognises the role of both public and private sectors.
- Economic planning, including five year plans, annual budgets, and so on.

**Question 11:**

The organic food market in India is growing at 25-30 per cent which reflects a clear shift in consumer tastes and preferences. The current growth in the organic food market is driven by multiplicity of factors like rising health consciousness, changing lifestyles, increase in disposable income and growing availability of organic food products in shopping malls, retail outlets and online.

In context of the above case:

1. Identify and explain the features of business environment being referred to here.
2. By quoting phrases from the paragraph identify the various components of general forces which have led to a growth in the organic food market.

**Answer:**

1. The features of business environment being referred to in the above case are as follows:
  - Dynamic nature: It is dynamic in nature and keeps on changing due to technological upgradations, shifts in consumer preferences or increase in competition in the market.
  - Inter-relatedness: All the elements of business environment are closely interrelated. Therefore, any change in one element may necessitate corresponding changes in the other elements as well.
2. The various components of general forces which have led to a growth in the organic food market are as follows:
  - Social: "rising health consciousness, changing lifestyles"
  - Economic: "increase in disposable income"
  - Technological: "growing availability of organic food products in shopping malls, retail outlets and online."

**Question 12:**

Anurag, aspires to work with a socially and environmentally committed company as he does not want to work just for monetary benefits but also the brand value of the company he works for in the society matters a lot to him. Therefore, he has joined Cerebra Integrated Technologies a Bengaluru-based Infotech company. The company has built India's largest e-waste recycling

plant. The company strives to be one of the leading players in this business which has huge potential not only in terms of generating huge revenues and profits but also wants to contribute to the environment issues that have become crucial worldwide. The company sees big business in the mountains of e-waste in Bengaluru which produces 200,000 tonnes of e-waste a year. The company plans to make its millions by extracting metals such as gold and platinum from the e-waste piling up in the city. As a mobile phone, for example, is made up of a combination of rare earth and precious metals: it contains 250 mg of silver, 24 mg of gold and nine mg of palladium while a laptop has 1,000 mg of silver, 220 mg of gold and 500 grams of copper. To start the business, the company has obtained a licence from KSPCB ( Karnataka State Pollution Control Board) .

In context of the above case:

1. Identify the various dimensions of business environment being referred to by quoting lines from the paragraph.
2. List any two values which the company wants to convey to the society.

**Answer:**

1. The various dimensions of business environment being referred to the in the above case are as follows:
  - Technological Environment: Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
  - administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— center, state or local.
  - Social Environment: Social environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
2. The two values which the Cerebra Integrated Technologies wants to convey through this initiative are:
  - Sustainable development
  - Concern for environment.

**Question 13:**

The government wants to raise Rs.56,500 crore from the sale of stakes in state-owned enterprises National Thermal Power Corporation (NTPC) in the financial year 2016-17. Identify and explain the related concept.

**Answer:**

Disinvestment: Disinvestment refers to transfer in the public sector enterprises to the private sector through dilution of stake of the Government in the public enterprise.

**Question 14:**

Bharat is running an ice cream parlour in a local market. Keeping in mind the changing perceptions about health among the people, one of his employee Abhiraj suggests to him that they should introduce a range of flavoured yogurt. Bharat accepts his suggestion as a result both the image and the profitability of his business increases.

In the context of the above case:

1. Identify the feature of management which is being highlighted.
2. State the related dimension of the business environment.
3. Name and explain the related principle of general management.

**Answer:**

1. The feature of management which is being highlighted is Dynamic.
2. The related dimension of the business environment is Social.
3. The related principle of general management is **Initiative**.

Initiative means taking the first step with self-motivation. The workers should be encouraged to develop and carry out their plans for improvement. Suggestion system should be adopted in the organization.

**Question 15:**

As a result of the decision by Britain to exit the European Union the new trade agreements will come into force from the EU as it accounts for 35-40% of auto component exports from India. Tata Motors owned Britain's largest carmaker Jaguar Land Rover (JLR) has been in Britain for three decades and makes 4,75,000 cars a year in the country of which most of them are exported inside the European Union and beyond. JLR estimates that their annual profit could be cut by one billion pounds (\$1.47 billion) by the year 2020.

In the context of the above case:

1. Explain why are all the elements of business environment considered to be closely interrelated?
2. Name any two related dimensions of the business environment.

**Answer:**

1. All the elements of business environment are considered to be closely interrelated as any change in one of them may necessitate a series of changes in other dimensions as well.
2. The related dimensions of the business environment are Political and Legal.

**Question 16::**

After completing his education, Arun joins his father in their family business of manufacturing cookware. As a businessman, his father is rigid in his approach and has fixed ideas about various issues. He tends to maintain a distance from the factory workers. However, Arun is more receptive to the needs of the workers and doesn't seem to believe in any class- differences. He believes that the prosperity of their business greatly depends upon the prosperity of their workers and vice versa. At the same time, he has a good understanding of the business environment. Therefore, he introduces a new range of green pans that provide a healthy cooking surface, as they are manufactured with all ceramic or silicon coating and are considered safer than the traditional petroleum based nonstick surfaces which may contain toxic substances. Although, the new cookware range is highly priced/, he expects a ready market for it as both the purchasing power of people and their preference for better quality products has increased over the years.

In the context of the above case:

1. Identify the nature of management which is being reflected in the different styles of management in practice adopted by Arun and his father.
2. Name and explain the related principle of scientific management.
3. State the related dimensions of business environment.

**Answer:**

1. The different styles of management in practice adopted by Arun and his father reflect that management is an art.
2. 'Harmony, Not Discord' is the related principle of scientific management. Taylor emphasised that there should be complete harmony between the management and workers instead of a kind of class-conflict, the managers versus workers. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa. He advocated paternalistic style of management should be in practice.
3. The related dimensions of the business environment are :
  - Economic Environment: Economic environment comprises of factors that can affect management practices in a business enterprise includes interest rates,

inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.

- Social Environment: Social environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
- Technological Environment: Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

**Question 17:**

'Gallant' is a well known FMCG (Fast Moving Consumer Goods) company in India. However, for the past few years its profitability is diminishing due to the presence of a new company 'Prakritik'. 'Prakritik' has gradually acquired a reasonable share in a wide variety segments like soaps, shampoos, detergents, dish wash and oral care. One of the key reason is that 'Prakritik' has positioned itself as a natural/Ayurvedic brand and this approach has worked well with the Indian consumer. In order to compete with this threat 'Gallant' has acquired a premium Ayurvedic brand 'Madhumita' from another group. Moreover its likely to increase its advertising budget to counter the threat from 'Prakritik'.

In the context of the above case:

1. Identify the related component of the business environment which has contributed effectively towards the success of Prakritik.
2. Also, state the two ways in which 'Gallant' has responded to the changes in its business environment.

**Answer:**

1. Social aspect is the related component of the business environment which has contributed effectively towards the success of Prakritik.
2. The two ways in which 'Gallant' has responded to the changes in its business environment are as follows:
  - Acquisition
  - Brand building

**By, Bhabani Sir**