

BUSINESS ENVIRONMENT AND MANAGEMENT

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UNIT I

**BUSINESS ORGANISATION
AND MANAGEMENT**

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DEFINITION OF OCCUPATION

– Y.K.BHUSHAN

All involved in working to earn a livelihood and are usually called occupations.

TYPES OF OCCUPATION

1. Profession
2. Employment
3. Business

PROFESSION

Professions are those occupations which involve the rendering of personal services of a special and expert nature

EMPLOYMENT

A person has to work under an agreement or rules of service and perform such work as may be assigned to him

BUSINESS

- Being busy
- Organised production or sale of goods undertaken with the object of earning profits through the satisfaction of human wants.

INDUSTRY

Refers to that part of business activity which concerns itself with the raising, production, processing or fabrication of products

DIFFERENCES BETWEEN PROFESSION, EMPLOYMENT AND BUSINESS

- 1. Formal basis for establishment or commencement**
- 2. Qualification**
- 3. Capital**
- 4. Transfer of interest**
- 5. Individual risk**
- 6. Return**
- 7. Nature of work**
- 8.**

CHARACTERISTICS OF BUSINESS

- 1. Sale, transfer or exchange for the satisfaction of human needs.**
- 2. Dealings in goods and services**
- 3. Recurrence of transactions**
- 4. Profit motive**
- 5. Element of risk**

OBJECTIVES OF BUSINESS

- 1. Organic objectives**
- 2. Economic objectives**
- 3. Social objectives**
- 4. Human objectives**
- 5. National objectives**

ECONOMIC OBJECTIVES

- 1. Profit**
- 2. Creation of customers**
- 3. Innovation**

SOCIAL OBJECTIVES

- 1. Supply of the desired quality of goods**
- 2. Avoidance of profiteering and anti-social practices**
- 3. Providing employment**

HUMAN OBJECTIVES

- 1. Fair deal of employees**
- 2. Development of human resources**
- 3. Participation**
- 4. Job satisfaction**

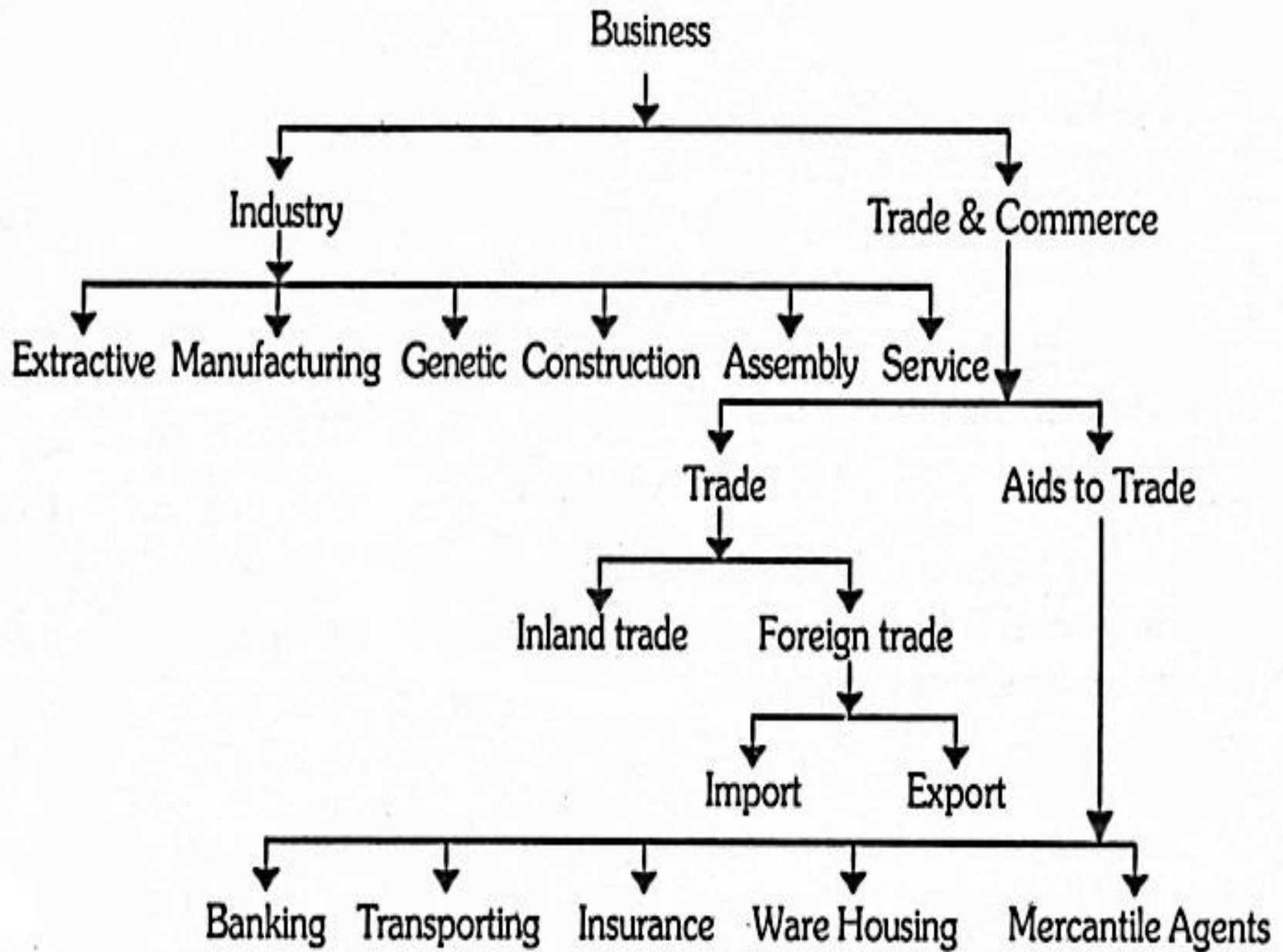
NATIONAL OBJECTIVES

- 1. Ensuring social justice**
- 2. Development of small entrepreneurs**
- 3. Production according to national priorities**
- 4. National self-sufficiency and export development**
- 5. Development of skilled personnel**

REQUISITES FOR SUCCESS IN MODERN BUSINESS

- 1. Determination of objectives**
- 2. Planning and setting up of a proper organisation**
- 3. Adequate finances**
- 4. Proper location, layout and size**
- 5. Facilities for research**
- 6. Efficient and dynamic leadership**

SCOPE OF BUSINESS



SOCIAL RESPONSIBILITIES OF BUSINESS

- 1. The enterprise and the shareholders**
- 2. The enterprise and the workers**
- 3. The enterprise and the consumers**
- 4. The enterprise and the community**

INDUSTRY

Industry indicates such activities as extraction, production, conversion, processing or fabrication of products.

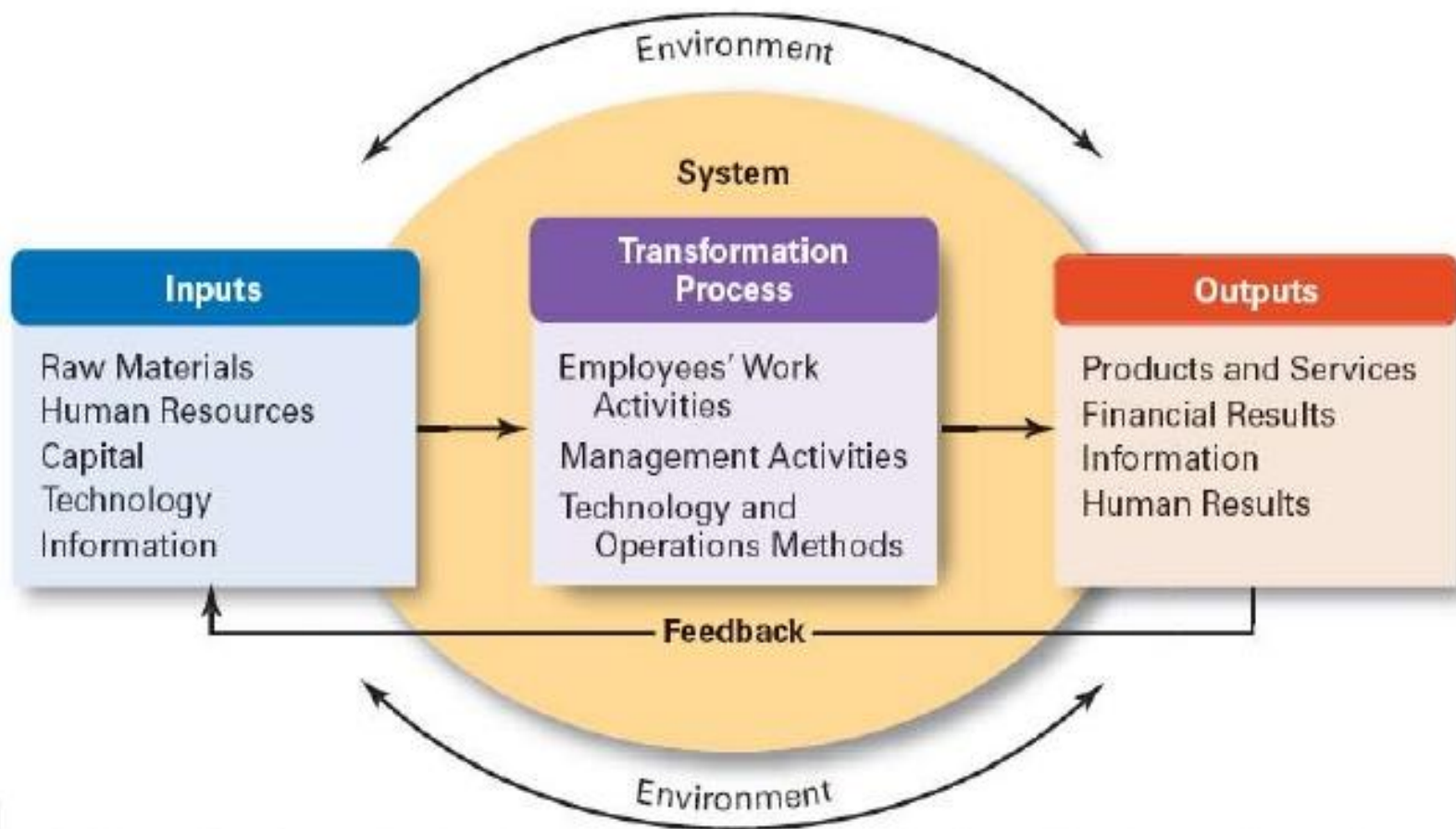
COMMERCE

Commerce is concerned with the exchange of goods and services from those who possess them to those who need them. It includes trade all those activities that facilitate trade such as, transport, storage, warehousing, insurance, banking, finance etc.

BUSINESS SYSTEM AND ITS ENVIRONMENT

SYSTEM – MEANING

Anything formed of parts placed together into regular and connected whole, a set of things considered as a connected whole.



DEFINITION OF BUSINESS SYSTEM

The business system is a combination of all resources, organisation and institutions which are directly or indirectly related to the production of goods and services for the satisfaction of human needs.

FEATURES OF BUSINESS SYSTEM

1. Goal - oriented
2. Diversity
3. Process
4. Complexity
5. Output
6. Part of socio-economic system

SUB-SYSTEM OF THE BUSINESS SYSTEM

- 1. Production sub-system**
- 2. Personnel sub-system**
- 3. Finance sub-system**
- 4. Marketing sub-system**
- 5. Research and development.**

BUSINESS ENVIRONMENT

Business environment refers to those surroundings of business enterprise which affect its operation and determine its effectiveness.

DEFINITION OF BUSINESS ENVIRONMENT

KEITH DAVIS – “Business environment is the aggregate of all conditions, events and influences that surround and affect it. The environment of business consists of all those external things to which it is exposed and by which it may be influenced directly or indirectly.

ELEMENTS OF BUSINESS ENVIRONMENT

- 1. Demographic environment**
- 2. Economic environment**
- 3. Social environment**
- 4. Political and legal environment**
- 5. Technological environment**
- 6. Physical environment**

Constituents Of Business Enviornment



RELATIONSHIP BETWEEN BUSINESS AND ENVIRONMENT

- 1. Mutually related**
- 2. Internal and external environment**
- 3. Satisfaction of human wants**
- 4. Challenges and problems**
- 5. Responsible for all environment factors**
- 6. Prosperity and future development of business**
- 7. Dynamic factors.**

CLASSIFICATION OF BUSINESS ENVIRONMENT

- 1. Economic environment**
- 2. Non-economic environment**

ECONOMIC ENVIRONMENT

Economic environment comprises fiscal policy, monetary policy, monetary policy, industrial policy, price-economic policy, economic system (free enterprises, socialist, communist, etc.), structure and quality of economic development, international economic relations and business, and economic plans.

NON-ECONOMIC ENVIRONMENT-COMPONEN TS

- 1. Political-legal**
- 2. Sociological**
- 3. Educational**
- 4. Historical**
- 5. Physical**

● SHORT ANSWER QUESTIONS

● Define business/business system/ business environment/occupation/ profession/ employment

● Meaning of industry/commerce/warehousing/foreign trade/banking/insurance/transporting/mercantile agents/ extraction industry/manufacturing industry/genetic industry/ construction industry/assembly industry/ service industry/import/export/

● ESSAY TYPE QUESTIONS

● Types of occupation

● Compare business, profession and employment

● Characteristics of business

● Objectives of business

● Scope of business

● Explain economic objectives/social objectives/human objectives/national objectives

● Requisites for success in modern business

● Types of industry/trade/foreign trade

● List out the various aids to trade.

● Social responsibilities of business

● Features of business system

● What are the sub-systems of business system?

● Elements /constituents/components of business system.

● Relationship between business and environment

● Classification of business environment

● Components of Non-economic environment

UNIT II

ENVIRONMENTAL SCANNING

**STRATEGIC MANAGEMENT –
L.M.PRASAD**

ENVIRONMENT SCANNING

Definition – AUSTER “the process of acquisition and use of information about events, trends, and relationships in an organisation’s external environment, the knowledge of which would assist management in planning the organisation’s future course of action. “

ENVIRONMENTAL FACTORS FOR ANALYSIS

1. High priority
2. Medium priority
3. Low priority

FACTORS THAT HAVE TO BE CONSIDERED WHILE SCANNING

- 1. Events**
- 2. Trends**
- 3. Issues**
- 4. Expectations**

Variables affecting choice of factors

- 1. Managerial philosophy**
- 2. Age of the organisation**
- 3. Size and power of the organisation**
- 4. Geographical dimension of the organisation**
- 5. Type of business**
- 6. Nature of environment**

Sources of environmental information

1. Verbal information from customers, suppliers.....
2. Business espionage
3. Market research agencies
4. Industry associations
5. Publications
6. Own research

METHODS OF COLLECTING ENVIRONMENTAL INFORMATION

- 1. Reviewing publications**
- 2. Interviewing leaders inside and outside organisation**
- 3. Surveys**
- 4. Questionnaire**
- 5. Reports and records**
- 6. Direct observation**

FORECASTING – Steps in forecasting

- 1. Developing groundwork for forecasting**
- 2. Estimating future business**
- 3. Comparing actual and projected results**
- 4. Refining the forecasting process**

FORECASTING TECHNIQUES

1. Historical Analogy method
2. Survey method
3. Delphi techniques
4. Business barometers
5. Time series analysis
6. Extrapolation
7. Regression analysis
8. Input-output analysis
9. Econometric models

LIMITATIONS to forecasting

- 1. Based on assumptions**
- 2. Not absolute truth**
- 3. Time and cost factors**

APPROACHES to environmental scanning

- 1. Systematic approach**
- 2. Ad-hoc approach**
- 3. Processed form approach**

PURPOSE OF ENVIRONMENTAL SCANNING

- 1. Environmental awareness**
- 2. Information for decision making**
- 3. Facilitates policy making**
- 4. Planning related to technology**
- 5. Business survival through forecasting**

UNIT II

SHORT ANSWER QUESTIONS

1. Define environmental scanning/forecasting
2. What is meant by high priority /medium priority/ low priority factors / Regression / Delphi Technique / time series analysis / input-output analysis / Historical analogy method / extrapolation / Econometric methods / Time series analysis / survey method / Business Barometers / questionnaire / observation method / interview method / Business espionage

ESSAY TYPE QUESTIONS

1. Factors that have to be considered in the process of environmental scanning.
2. List of the variables affecting the choice of factors influencing the environmental scanning
3. Sources of environmental information
4. Methods of collecting environmental information
5. Forecasting techniques
6. Steps in forecasting
7. Limitations of forecasting
8. Approaches to environmental scanning
9. Purpose of environmental scanning

UNIT III

**BUSINESS ORGANISATION AND
MANAGEMENT**

Y.K.BHUSHAN

MEANING OF MANAGEMENT

Business management may be defined as planning, organising, directing and controlling of the activities of a business undertaking in such a manner that it success in the task of accomplishment of its objectives with maximum efficiency and economy.

DEFINITION OF MANAGEMENT

**HENRY FAYOL - “ To forecast
and plan, to organise, to
command, to co-ordinate and
to control”**

DEFINITION OF MANAGEMENT

**LAWRENCE A.APPLEY – “Getting
things done through other
people”**

MEANING OF MANAGEMENT

1. Management as an activity
 - 1.1 Interpersonal role
 - 1.2 Decision making role
 - 1.3 Informational role
2. Management as a process
3. Management as an academic discipline
4. Management as a group

FUNCTIONS

- 1. Planning**
- 2. Organising**
- 3. Staffing**
- 4. Directing**
- 5. Control**
- 6. Co-ordination**
- 7. Profit**

NATURE/CHARACTERISTICS/ FEATURES OF MANAGEMENT

- 1. Management is a universal process**
- 2. Management as factor of production**
- 3. Management is goal oriented**
- 4. Management is supreme in thought and action**
- 5. Management is a group activity**

NATURE/CHARACTERISTICS/ FEATURES OF MANAGEMENT

- 6. Management as a dynamic function**
- 7. Management is a social science**
- 8. Management is an important organisation of society**
- 9. Management as a system of authority**
- 10. Management is a profession.**

SCOPE OF MANAGEMENT

- 1. Production management**
- 2. Marketing management**
- 3. Financial management**
- 4. Personnel management**

LEVELS OF MANAGEMENT

- 1. Lower level management**
- 2. Middle level management**
- 3. Top level management**

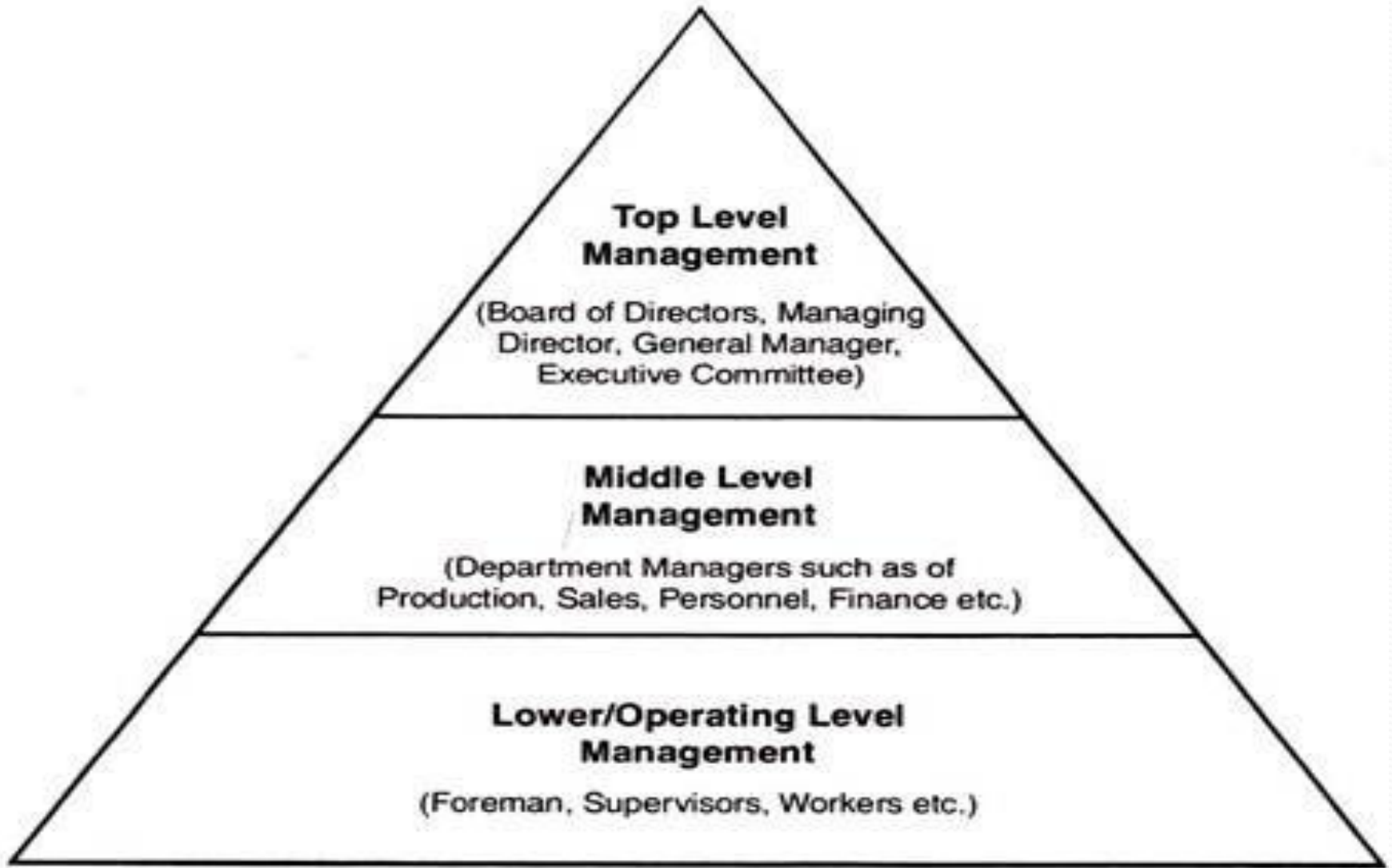


Fig. 1.1. Levels of Management

IMPORTANCE OF MANAGEMENT

- 1. Accomplishment of group goals**
 - 1.1 Sound resource planning**
 - 1.2 Adaption to business environment**
 - 1.3 Day to day direction and control of business activities**
- 2. Efficient running of business**
 - 2.1 Effective leadership and motivation**
 - 2.2 Integration of individual interests with group interests**
- 3. Sound organisation structure**
 - 3.1. clear definition of authority and responsibility**
 - 3.2 Integration of formal and informal group activity.**

PRINCIPLES OF MANAGEMENT – HENRY FAYOL

- 1. Division of labour**
- 2. Authority and responsibility**
- 3. Discipline**
- 4. Unity of command**
- 5. Unity of direction**
- 6. Subordination of individual interests to group interests.**
- 7. Remuneration of personnel**

PRINCIPLES OF MANAGEMENT – HENRY FAYOL

8. Centralisation

9. Scalar chain

10. Order

11. Equity

12. Stability of tenure of personnel

13. Initiative

14. Esprit de corps

MANAGEMENT BY OBJECTIVES - MBO

PETER DRUCKER – “ A process whereby superiors and subordinates jointly identify the common objectives”

FEATURES

1. Regularity the entire process
2. Goal oriented
3. Lays down evaluative mechanism
4. Linkage between organisational and individual goals
5. Modifying goals.

ADVANTAGES

1. **Result oriented planning**
2. **Co-operation and Co-ordination**
3. **Motivation**
4. **Effective communication**
5. **Training and development**
6. **Performance appraisal**

LIMITATIONS

1. **Difficult to set verifiable goals**
2. **Involves lot of paper work**
3. **Time consuming**
4. **Status of superiors and subordinates**
5. **Inflexibility**
6. **Lack of interpersonal skills**

STEPS

1. **Setting objectives**
2. **Developing action plans**
3. **Conducting periodic reviews**
4. **Appraising annual performance**

Suggestions for making MBO effective

- 1. Purpose**
- 2. Top management support**
- 3. Training for MBO**
- 4. Participation**
- 5. Feedback of self-direction and self-control.**

MANAGEMENT BY EXCEPTION

Management by Exception, shortly called as MBE is a management style or philosophy that empowers the manager to concentrate on the exceptionally important or critical matters and taking important decisions while facilitating the front line workers to complete the day to day activities.



COMPONENTS OF MBE

1. Measurement
2. Projection
3. Selection
4. Observation
5. comparison
6. Decision making

STEPS IN MBE

1. **Setting objectives**
2. **Assessing performance**
3. **Analysing your deviations**
4. **Resolving exceptions**

ADVANTAGES

- 1. Best use of management time**
- 2. Rapid response**
- 3. Motivates staff to perform**

LIMITATIONS

1. Should be carefully handled
2. Needs detailed monitoring
3. Managers should be problem solvers
4. Its reactive.

SHORT ANSWER QUESTIONS

- 1. Define management/Unity of Command / Unit of Direction/MBO/MBE
- 2. What is meant by planning/organising/staffing/directing/control/Co-ordination?

ESSAY TYPE QUESTIONS

- 1. Features of MBO
- 2. Steps in MBO
- 3. Advantages and disadvantages of MBO
- 4. Steps to make MBO effective
- 5. Functions of Management
- 6. Scope of Management
- 7. Characteristics of Management
- 8. Importance of Management
- 9. Principles of Management
- 10. Steps in MBE
- 11. Advantages and limitations
- 12. Components of MBE