

Patrician College of Arts and Science

Department of Commerce

Business Environment

Subject Code: CPZ6C

Even Semester

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MEANING AND DEFINITION OF ENVIRONMENT



- The term environment has a very wide connotation. It covers all the external factors such as economical, political and social.
- In the words of *Keith Davis*, “ the term environment of business may be defined as the aggregate of all condition, events and influences that surround and affect it”. He further says, “The environment is broad and constantly changing”.

NATURE OF BUSINESS ENVIRONMENT

- Environmental factors influence certain business directly and other business indirectly depending upon its intimacy with the firm.
- Based on the extent of its intimacy with the firm, the environmental factors may be classified into two types namely, the internal environment and external environment.

FEATURES OF BUSINESS ENVIRONMENT

- Dynamic and Ever Changing
- Mutual interdependence between Business and Environment
- Business Firm along with other Firms in the Environment Change the Environment
- Strict Adherence to Rules and Regulations
- Varied Environmental Forces
- Complexity of Environment

IMPORTANCE OF THE STUDY OF BUSINESS ENVIRONMENT

- Successful Conduct of Business
- Opening of New Avenues
- Dynamism in Approach
- Chances for Growth
- Control over Environment

COMPONENTS OF ENVIRONMENT

- Geographical and Ecological or Natural Factors
- Demographic Factors
- Economic Factors
- Political and Legal Factors
- Social and Cultural Factors
- Physical and Technological Factors

SOME MORE CLASSIFICATIONS OF BUSINESS ENVIRONMENT

- Static environment
- Dynamic environment
- Internal environment
- External environment
- Market environment
- Non-market environment

INTERACTION OF VARIOUS ECONOMIC FACTORS

- Interaction between Natural and Economic Environment
- Interaction between Historical and Economic Environment
- Interaction between Social and Cultural Environment and Economic Environment
- Interaction between Political and Legal Environment and Economic Environment

OBJECTIVES OF ENVIRONMENTAL ANALYSIS

- Help understanding Existing Environment
- Provision of Data for Strategic Decision-making
- Facilitating Strategic Linking in Organisations

PROCESS OF ENVIRONMENTAL ANALYSIS

- Collection of necessary information
- Scanning and searching of information
- Getting information by spying
- Forecasting the conditions
- Observing the environment
- Assessing

ADVANTAGES OF ENVIRONMENTAL ANALYSIS

- Helps in Achieving Objectives
- Identification of Threats
- Happenings in the Market Place
- Threats Inherent in any Opportunity
- Forecasting the Future
- Threats and Opportunities



LIMITATIONS OF ENVIRONMENT ANALYSIS

- Lack of Forewarning of Unforeseen Events
- No Assurance as to Organizational Effectiveness
- Not fully Reliable
- Absence of Strategic Approach

CONCLUSION

- So far, discussed how the environmental factors vitally affect the business? How rapidly the environment is changing and thereby affects the business concerns. Besides, why a businessman should analyse and diagnose the environmental changes to withstand in his field of business. It is also clearly stated that all things cannot and shall not occur as per our expectations. All these complexities make the business more challenging and call for a higher degree of skill, experience and foresightedness on the part of the innovating entrepreneur.



Thank you

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