

FACULTY OF JURIDICAL SCIENCES

Lecture-5



Business and Environment Interface

Both the environment and business are interrelated and interdependent on each other for its survival and growth. Both cannot- exist without each other. Business to run successfully has to adjust with the changing environment.

Both business and environment are closely related concepts.

The interface between business and various types of environment can be briefly explained with the following points:

1. Business and Demographic Environment:

Demography is the study of human population with reference to their age, gender, status, occupation, income, education etc. The demographic environment differs from country to country and has significant implications on business. On the other hand business firm also affect the demographic pattern of a country. Due to diversified demographic environment, a business is compelled to adopt different functional and marketing strategies.

For example:

Business undertakes various social welfare programs like health camps, awareness, and literacy programs etc. In the same way rise in the income level of consumers helps in rise in demand for products.

The business undertakes research activities to turn the potential customers into final customers with reference to their age, gender, income, status, qualification etc. for undertaking production, marketing and promotional activities. The business firm has to adjust with the changing demographic pattern of the country.

2. Business and Economic Environment:

The economic environment of a country comprises of the structure of the economy, economic resources, level of income, economic policies etc. Any change in the economic policy can have a positive or negative impact on the working of the business. Business organization has to consider the various economies prevailing in the country like import policy, industrial policy, taxation

policy etc. which can have a great impact on the business. Economic policies like liberalization, privatization, and globalization had a considerable impact on the business-.

Changes in the economic policy ultimately affect the business. For example: change in the income structure of the consumers will ultimately affect their purchasing power and sale of the organization.

Increase in the income will result into growth of organizational sale and vice versa. Favorable economic environment helps in rise in the national income and increase in the standard of living.

Favorable economic environment also facilitates increase in foreign direct investment and growth of industrial sector resulting into growth of economy as a whole.

The business should study the economic environment to understand the market conditions, international events, to analyze investment policies, competitor's policies, economic policies of government etc.

3. Business and Technological Environment:

Technology refers to the set of process in an organization to transform raw material of resources into finished goods and services. Technology includes tools- both machine (hard technology) and way of thinking (soft technology).

It includes not only the knowledge and method but also the entrepreneurial expertise that enhances the competitiveness of a nation. Technology can greatly influence business decisions. It helps in minimizing cost, reducing wastage and brings higher efficiency in the production process. Information technology has brought about revolutionary changes in the world of business environment.

On the other hand business is responsible for technological up gradation as a huge amount is spent on Research and Development to introduce new products and concepts in the business. This technological revolution became a compelling reason for inter-nationalization and Globalization. Quick adoption of latest technology will help the business to gain competitive advantage and facilitates overall industrial efficiency.

4. Business and Natural Environment:

Both natural environment and business are closely related and have influence over each other. Natural environment is also termed as physical environment Business depends on the nature for supply of resources like raw material, water etc.

The business has to adjust with the environment to ensure its survival. Ecological factors have recently assumed great importance. The excessive use of these resources, environmental pollution and the disturbance of ecological balance has caused great concern. One cannot take the environment granted.

The business should give due consideration for the conservation of natural resources. Similarly geographical factors affect the location of industries. Availability of natural resources is the fundamental factor in the development of industries.

Weather and climatic conditions affect the demand pattern. Manufacturing the most important aspect of business depends upon physical environment. Thus natural environment has a great influence on the economic activities. Similarly environment is also depended upon the business. Business should produce pollution free products and service to keep the environment pollution free and maintain the ecological balance.

5. Business and Cultural Environment:

Culture refers to values, attitude, belief, morals, customs and traditions. Culture is a critical component of business environment. Proper understanding of cultural dimension is very important for product development, promotion, human resource management etc.

Business and culture are closely associated with each other. Culture is the powerful element to shape the business. The business should come up with various cultural events, thereby promoting and preserving the rich culture of a country.