

CHAPTER NO.3

Business Environment

LATEST CBSE QUESTIONS

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 heart beat, 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 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 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.

- 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:

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

Answer:

- 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.
- 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 a 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 to 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

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