Chapter - 4
Environmental Context of Management

CONCEPT OF BUSINESS ENVIRONMENT

The term "business environment" refers to all the external and internal factors that can affect the performance and success of a business, directly or indirectly.

NATURE/FEATURE OF BUSINESS ENVIRONMENT

Business Environment:

1. **Complexity:** The business environment is characterized by its complex nature, as it consists of various interrelated factors that can influence a business's operations and success.

2. **Dynamic:** The business environment is constantly changing and evolving, making it a dynamic and unpredictable place for businesses to operate in.

3. **Multi-faceted:** The business environment is composed of multiple components, such as the economic, political, social, and technological factors, each of which can have an impact on a business.

4. **Far-reaching impact:** The effects of changes in the business environment can have a far-reaching impact on businesses, and can even have consequences for the wider economy and society.

5. **Aggregate of factors:** The business environment can be viewed as an aggregate of all the various factors that influence business operations.

6. **Interrelatedness:** The components of the business environment are interrelated, that means changes in one area can have effects on other areas as well.

7. **Reciprocal:** The relationship between businesses and the environment is reciprocal, meaning that businesses can also impact the environment, and vice versa.

TYPES/COMPONENTS OF BUSINESS ENVIRONMENT

Internal Environment:

The internal environment refers to all the factors within a business that influence its operations and success. This includes factors such as the company's culture, structure, policies, and processes, as well as its human resources, such as its employees and management.

External Environment:
The external environment refers to all the factors outside of a business that can influence its operations and success. The external environment can be further divided into two categories:

General/Remote/Macro Environment: The general or remote environment refers to the broad, macro-level factors that can affect a business, such as economic conditions, political events, and technological advancements.

Operating/Task Environment: The operating or task environment refers to the more specific, micro-level factors that can impact a business, such as the competition, regulatory requirements, and the company's suppliers and customers.

MEANING OF INTERNAL ENVIRONMENT
The internal business environment consists of an organization's internal conditions and resources. A sound internal environment helps create a competitive advantage that leads a business toward achieving its goals.

ELEMENTS OF INTERNAL ENVIRONMENT

1. **Organizational Goals and Policies:** The organizational goals and policies define the purpose, objectives, and strategy of a business. They provide a framework for decision-making and guide the behavior of employees and management.

2. **Organizational Structure:** The organizational structure refers to the formal system of authority and relationships within a business. It determines how tasks, responsibilities, and decision-making are divided and how information flows within the company.

3. **Organizational Resources:** The organizational resources include both tangible and intangible assets that a business has at its disposal, such as financial capital, physical equipment, and human resources.

4. Organizational Culture: The organizational culture refers to the shared values, beliefs, and practices that shape the behavior of employees and the overall working environment.

5. Employees: The employees are the individuals who carry out the tasks and responsibilities necessary to achieve the goals of a business. Their skills, knowledge, and motivation can have a significant impact on the success of a company.

6. Unions: Unions are organizations that represent the interests of employees in collective bargaining with management. They can have an impact on the working conditions and compensation of employees, as well as the operations of a business.

7. Owners and Directors: The owners and directors are the individuals responsible for making key decisions and setting the direction of a business. They have a significant impact on the operations, culture, and success of a company.

GENERAL/REMOTE/MACRO ENVIRONMENT

1. Political environment
2. Legal environment
3. Socio-economic environment
4. Economic environment
5. Technological environment
6. Ecological/physical environment
7. Global environment

OPERATING/TASK SPECIFIC ENVIRONMENT

1. Customer
2. Suppliers
3. Competitors
4. Creditors
5. Distributors
6. Media
7. Government agencies
8. Pressure groups
9. Strategic partners/alliances

ENVIRONMENTAL SCANNING

Environmental scanning is a detailed micro-study of the environment. It is normally done when there is a high level of uncertainty in the environment.

METHODS /TECHNIQUES OF ENVIRONMENTAL SCANNING

Environmental scanning is the process of monitoring, evaluating, and interpreting information from the external and internal environments to make informed decisions and guide the direction of an organization. The following are some of the common methods and techniques used in environmental scanning:

Executive Opinion Method: This method involves collecting opinions and perspectives from top-level executives and leaders within an organization.
Expert Opinion Method: This method involves seeking the advice and insights of experts and specialists in a particular field or industry.

Delphi Method: The Delphi Method involves collecting and synthesizing the opinions of a panel of experts through a series of rounds of questionnaires and feedback.
Extrapolating Method: The extrapolating method involves projecting current trends into the future to predict future conditions and outcomes.

Historical Analogy: The historical analogy method involves analyzing past events and experiences to inform future decision-making and strategy.

Intuitive Reasoning: This method involves relying on intuition and personal experience to make decisions and evaluate information.

Scenario Building: The scenario building method involves constructing hypothetical future scenarios and evaluating their potential outcomes.

Cross-Impact Matrix: The cross-impact matrix method involves evaluating the potential impact of different events and factors on each other.
Judgmental Forecasting: Judgmental forecasting involves relying on subjective judgment and expert opinion to make predictions about future conditions and outcomes.

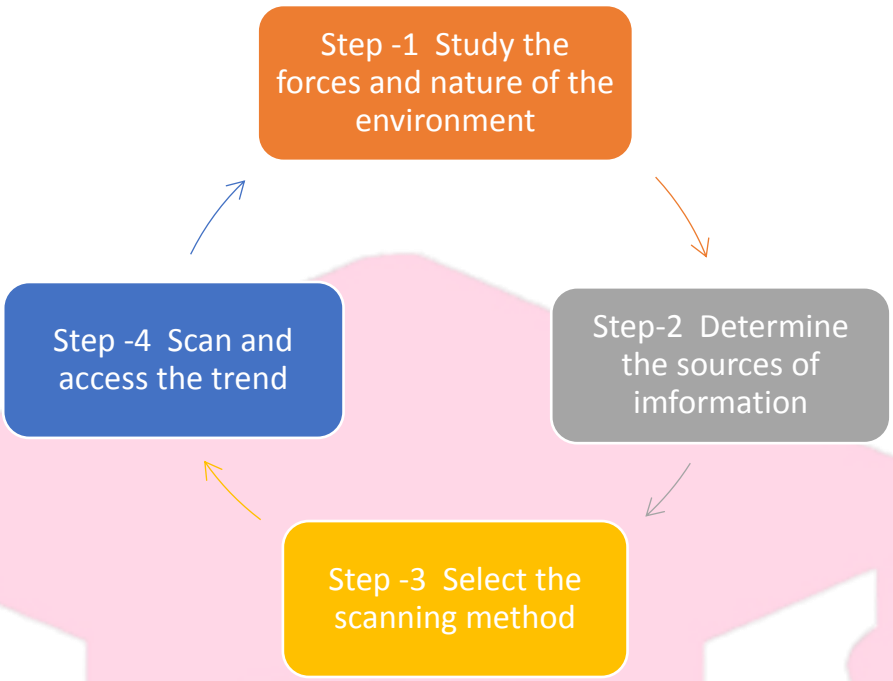
SWOT Analysis: SWOT analysis is a strategic planning tool that involves evaluating an organization's strengths, weaknesses, opportunities, and threats in order to inform decision-making and strategy.

TYPES OF ENVIRONMENTAL SCANNING

1. **Centralized scanning:** If some environmental components are only analyzed, it is called centralized scanning.

2. **Comprehensive scanning:** If all the components of the environment are analyzed in a detailed and micro way, it is called comprehensive scanning.

PROCESS OF ENVIRONMENTAL SCANNING



APPROACHES TO ENVIRONMENTAL SCANNING

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

IMPORTANCE OF ENVIRONMENTAL SCANNING

1. Qualitative information
2. Image building
3. Signal threats
4. Focus on customer needs
5. Capitalize opportunities
6. Intellectual stimulation

CONCEPT OF SWOT ANALYSIS

SWOT is an acronym that stands for a company's strategic factors of strength, weakness, opportunities, and threats.

COMPONENTS OF SWOT ANALYSIS

SWOT Analysis

SWOT Analysis is a strategic planning tool that helps organizations identify and understand the internal and external factors that can influence their success. The SWOT Analysis framework consists of four components:

1. Strengths: The strengths of a business refer to the positive internal factors that give the company an advantage over its competitors. These may include factors such as strong brand recognition, high-quality products, or experienced personnel.

2. Weaknesses: The weaknesses of a business refer to the internal factors that can hold the company back or make it vulnerable to competition. These may include factors such as limited financial resources, outdated technology, or low employee morale.

3. Opportunities: The opportunities of a business refer to the external factors that present potential for growth or improvement. These may include factors such as changes in consumer preferences, new markets, or technological advancements.

4. Threats: The threats of a business refer to the external factors that can pose a risk to the company's operations or success. These may include factors such as intense competition, economic downturns, or changes in government regulations.

CONCEPT OF BUSINESS SOCIAL RESPONSIBILITY

Corporate social responsibility refers to the ethical and responsible behavior of a company towards society and the environment.

IMPORTANCE OF SOCIAL RESPONSIBILITY OF BUSINESS

1. Boosts company image
2. Boosts employee morale
3. New business opportunities
4. Positive relationships with society
5. Builds strong customer relationships
6. Better access to the finance
7. Positive media attention
8. Reduces legal burden

ELEMENTS OF THE SOCIALLY RESPONSIBLE ORGANIZATION

1. Create an open environment.
2. Accountable
3. Collaboration
4. Voluntary
5. Internal Assistant
6. Put social responsibility in social writing
7. Integrate social responsibility into the company's planning and budgeting processes.
8. Measure social responsibility performance
9. Communicate the performance of social responsibility to all stakeholders.

10. Take social responsibility as top agenda.
11. Support of senior management
12. Train employees directly involved in social responsibility activities.

APPROACHES /STRATEGIES OF SOCIAL RESPONSIBILITY

Social responsibility refers to the actions and practices of organizations that demonstrate their commitment to the well-being of society and the environment. The following are four approaches or strategies of social responsibility:

1. Social Obstruction Approach: The social obstruction approach involves organizations simply complying with the minimum legal requirements for social and environmental responsibility.

2. Social Obligation or Defensive Approach: The social obligation or defensive approach involves organizations taking actions to address specific social and environmental problems and address negative impacts caused by their operations.

3. Social Responsive or Accommodation Approach: The social responsive or accommodation approach involves organizations proactively considering the needs and expectations of stakeholders and taking actions to address their concerns.

4. Social Contribution or Proactive Approach: The social contribution or proactive approach involves organizations taking a leadership role in addressing social and environmental issues and making a positive impact on society and the environment.

AREAS OF SOCIAL RESPONSIBILITY OF BUSINESS

1. Responsibility towards investors/shareholders
2. Responsibility towards consumers
3. Responsibility towards employees
4. Responsibility towards government
5. Responsibility towards community

ARGUMENT AGAINST SOCIAL RESPONSIBILITY

1. Not a basis function
2. Reduces profit
3. Operational problems
4. Difficulty in qualification:

BUSINESS ETHICS CONCEPT

1. Promotes goodwill and image
2. Promotes competition
3. Good relationship with stakeholders
4. Promotes social responsibility

5. Less government intervention
6. Improve working environment

ETHICAL ISSUES IN A BUSINESS

1. Finance and accounting issues
2. Human resource management issues
3. Marketing management issues
4. Production and operational management issues

CRITERIA OF ETHICAL DECISION MAKING

1. Compliance
2. Promote good and reduce harm
3. Respect and preserve rights
4. Builds reputation

EMERGING BUSINESS ENVIRONMENT IN NEPAL

1. Use of Modern Techniques: Advances in technology and the increased use of modern techniques is driving efficiency and innovation in businesses in Nepal.

2. Increasing Role of Private Sector in Core Business: The private sector is becoming increasingly influential and is playing a more central role in the country's economic growth and development.

3. Growing Urban Population: The urban population in Nepal is growing, leading to increased demand for goods and services and the development of new markets.

4. Rising Awareness and Consumerism: The general public is becoming more aware and conscious of the products and services they consume, leading to increased consumerism.

5. Workforce Diversity: The workforce in Nepal is becoming increasingly diverse, reflecting changes in the population and the job market.

6. Changing Role of the Government: The government is taking a more active role in promoting economic growth and development and supporting businesses.

7. Rising Economic Agenda: The economic agenda in Nepal is becoming increasingly important, with a focus on growth and job creation.

8. Integration to the World Economy (Globalization): Nepal is becoming increasingly integrated with the global economy, with increased trade, investment, and migration.

9. Changing Socio-Cultural Values: Nepalese society is undergoing significant changes, including changes in attitudes and values, which are affecting the business environment.

10. Growth of Service Sector: The service sector is growing in Nepal, with increased demand for services such as finance, education, healthcare, and tourism.

Stay foolish Stay Hungry and Keep reading keep growing. – Gurubaa!