

THAKUR COLLEGE OF SCIENCE AND MANAGEMENT
DEPARTMENT OF COMMERCE
FYBCOM COMMERCE-I (SEMESTER-I)

FYBCom Commerce-I: Business Environment and Entrepreneurship (TCSCUCCOM 102)

Objectives:

1. To familiarize the learners with the basic concepts of Business and the recent trends therein.
2. To make the learners aware about the Business Environment and appreciate its importance.
3. To guide the learners on various aspects of Project Planning and execution and its statutory requirements.
4. To motivate the learners to take up Entrepreneurial Avenues.

Syllabus at Glance

Sr. No.	Module	No. of Lectures
1.	Business	12
2.	Business Environment	11
3.	Business planning	12
4.	Entrepreneurship-I	10
Total		45

Outcome:

1. Learners will be able to explain the various components of Business and analyse the recent trends.
2. Learners will be able to define, evaluate and apply the knowledge of Business environment in Business Practices.
3. Learners will understand the requirements in planning and executing a Business Project.
4. Learners will understand Entrepreneurship as a potential scope for career.

Detailed Syllabus

Sr. No.	Module	No. of Lectures
1.	Business	12
	<p>a. Introduction: Concept, Functions, Scope and Significance of business. Traditional and Modern Concept of business. Objectives of Business: Steps in setting business objectives, classification of business objectives, Reconciliation of Economic and Social Objectives. New Trends in Business: Impact of Liberalization, Privatization and Globalization, Strategy alternatives in the changing scenario, Restructuring and turnaround strategies</p>	
2.	Business Environment	11
	<p>a. Introduction: Concept and Importance of Business environment, Inter-relationship between Business and Environment. Constituents of Business Environment: Internal and</p>	

External Environment, Educational Environment and its impact, International Environment-Current Trends in the World

International Trading Environment-WTO and Trading Blocs and their impact on Indian Business.

3. Business planning 12

a. **Introduction:** Business Planning Process; Concepts and importance of Project Planning; Project Report; feasibility study types and its importance.

Business Unit Promotion: Concept and Stages of Business Unit Promotion, Location-Factors determining location, and role of Government in Promotion.

Statutory Requirements in Promoting Business Unit: Licensing and Registration procedure, filling returns and other documents, Other important legal provisions.

4. Entrepreneurship-I 10

Introduction: Concept and importance of entrepreneurship, factors contributing to growth of Entrepreneurship, Entrepreneur and Manager, Entrepreneur and Intrapreneur.

The Entrepreneurs: Types of Entrepreneurs, Competencies of an Entrepreneur Biographical study of entrepreneurs
i) Narayan R. Murthy ii) Dr. Nilkanth Kalyani iii) Bhavarlal Jain iv) Any successful Entrepreneur from your area

Women Entrepreneurs: Problems and Promotion.

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1.1 Introduction: Business Concept, Functions, Scope and Significance of business. Traditional and Modern Concept of business

Business means to get something at low cost and sell it at a higher cost, meanwhile, the margin produced between that is the profit. Business's only purpose is profit, it is driven by it. Business is derived from the word 'busyness' meaning engaged in an activity. A **business** is an organization where people work together. In a **business**, people work to make and sell products or services. Other people buy the products and services. The **business** owner is the person who hires people for work. A **business** can earn a profit for the products and services it offers.

Business is any occupation which includes all activities which are connected with production or procurement of goods for sale and adding a profit margin to the costs for further selling it to the customer for the satisfaction of their needs."

The business aims at a profit but only through the satisfaction of the needs of the customers. The business includes every occupation in which people are busy in earning the income by the means of producing, purchasing, selling or exchanging goods or services fulfil needs of other people with the objective of making a profit.

According to Stenford

"**Business** is all those activities involved in providing the goods and services needed or desired by people". It means a **business** activities called that activities, which provide goods or services required and desired by persons of our society.

According to Dicksee, "*Business* refers to a form of activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted."

Lewis Henry defines *business* as "Human activity directed towards producing or acquiring wealth through buying and selling of goods."

Characteristics of Business

Economic Activity

Business necessarily has to be an economic activity. But what exactly is an economic activity? Any activity that gives a monetary return is an economic activity. For example, if your friend's father picks you up and drops you at college every day, he is doing this act out of kindness. But if he starts a transportation service of picking up and dropping by charging money then it's an economic activity.

Production or Trading of Good or Services for Sale

If a business plans on selling a product, Goods are mostly consumable items. It has to either manufacture that product or purchase it and add a profit margin to it and sell it further. Business is interested in every activity that is concerned with the production or purchase of goods for selling, this makes it one of the most important characteristics of a business. Services for sale include transportation, housekeeping, and security.

Sale or Exchange of Goods and Services

The third and crucial one of the characteristics of business after production or procurement is to sell that product for the money. The way to sell a product or service is by launching it in the market or to offer it for sale. A sale or exchange must take place between the seller and the buyer.

Regularity in Dealings

Business is a repeatable economic activity that generates money. For example, if you sell your old bike and it generates money. Also, it's an economic activity but is you doing this on a regular basis? No. As it has no regularity in it, it cannot be accepted as a business activity. Similarly, there is a dealer who deals in the purchase and sells of second-hand bikes. For him, it's a business activity as there is regularity in his dealing. A single transaction of purchase for sale cannot be classified as a business.

Profit Earning

The sole purpose of business is the maximization of profit. It steps into the market with the main objective of earning a profit. For the survival of business in a [market](#), generating profit is extremely necessary. If a business can't produce profit, it is expected of it to go downhill financially. Therefore the businessman does all the possible tricks to maximize its profits by increasing the volume of sales or decreasing the costs

Risk Factor

It is well known "*Higher the risks, higher the return*". Business attracts risk. While initiating business it is not guaranteed 100% that the business will be successful. There is an anticipation that there might be [demand](#) for its product or service in the market. But the market is always dwindling the subject to risk. The business may even earn profit but the amount of profit earned may vary.

Uncertainty of Returns

Businessmen invest huge capital in their activities to sustain and extract profit from the business. As we discussed the risk above, it is very uncertain as to what amount the profit will be earned. Often there are situations where is no return of profit. There are always chances of losses in the business activities.

Legal Activity

The business has to be legal and lawful. Business is an extremely important activity for a country but it is not above the law. Every economic activity has to be within the limits of the law. The country's legislation puts clauses on the functioning of the business to control its activities.

Functions of Business

A business enterprise performs many functions which can be classified under the following headings: Production, Marketing, Finance and Personnel Human Resouce. In some business organisations, there are separate departments to look after these functional areas. It may be noted that these functions are interdependent and inter-related. For instance, production department depends upon marketing department to sell its output and marketing departments depends upon production department for the products of required quality to satisfy its customers.

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Thus, there must be proper integration of various functional areas of business to achieve its purpose. This can be achieved by the management of the enterprise by effective planning, organization, direction and control. The salient functions of a business are:

(i) **Production Function:** It is concerned with the transformation of inputs like manpower, materials, machinery, capital, information and energy by business into specified outputs as demanded by the market and society. The production department is entrusted with so many activities such as production planning and control, quality control, procurement of materials and storage of materials.

(ii) **Marketing Function:** This focused on the distribution of goods and services produced by the business' production department. It can perform this function efficiently only if it is able to satisfy the needs of the customers. For this purpose, the marketing department guides the production department in product planning and development. It fixes the prices of various products produced by the business. It promotes the sale of goods through advertisement and sales promotion devices such as distribution of samples and novelty items, holding contests, organizing displays and trade exhibitions, etc.

(iii) **Finance Function:** This function is concerned with arrangement of sufficient capital for the smooth running of business. It also assists in the proper utilization of resources. It considers business decisions such as sources of finance, investment of funds in productive ventures, and levels of inventory of various items, etc.

(iv) **Personnel Function:** This is another important function which business must perform in order to achieve business purpose. It is concerned with finding suitable employees, giving them training, fixing their remuneration and motivating them. The quality of human resource working in the enterprise is a critical factor in the achievement of business purpose. Therefore, it is necessary that the employee is highly motivated and satisfied with the terms and conditions of service offered by the business enterprise.

Scope of Business

The scope of business is very broad. It covers a large number of activities which may be looked into from two perspectives, namely: Industry and Commerce

(A) **Industry:** The activities of extraction, production, conversion, processing or fabrication of products are described as industry. These products of an industry may fall under any one of the following three categories:

(i) **Consumers Goods:** Goods used by final consumers are called consumers goods. Example of consumer goods Laptop, handset, bags, pencil, biro, cleaner, edible Oils, Cloth, Jam, Television, Radio, Motor Car, Refrigerator, etc.

(ii) **Capital Goods:** Goods used in the production of other goods are described as capital goods. Steel produced by steel plant is used for fabrication into a variety of products such as motor cars, scooters, rail Locomotive engines, ships, surgical instruments, blades, etc. Similarly machine tools and machinery used for manufacturing other products also come under this heading.

(iii) **Intermediate Goods:** There are certain materials which are the finished products of one Industry and become the intermediate products of other industries. A few examples of this kind are the copper industry, the finished products of which are used in manufacturing Electrical Appliances, Electricity Wires, Toys, Baskets, Containers, and Buckets. Broadly speaking, industrial activities may be classified into primary and secondary which are explained in the following lines.

Primary Industries: Primary industries include the followings as listed below: **Extractive Industries:** In extractive industries, the industries extract or draw their products from natural sources such as earth, sea, air. The products of such industries are generally used by other industries such as manufacturing and construction industries for producing finished goods. Farming, mining, lumbering hunting, fishing, etc., are some of the examples of extractive industries.

Genetic Industries: Genetic simply means parentage or heredity. Genetic industries are engaged

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in breeding plants, and animals for their use in further reproduction. For breeding plants, the seeds and nursery are typical examples of genetic industries. In addition, the activities of cattle-breeding farms, poultry farms and the hatchery come under the category of genetic industries.

Secondary Industries: Secondary industries include the followings as listed below:

Manufacturing Industries: These are engaged in producing goods through the creation of what is known as 'form utility' such industries are engaged in the conversion or transformation of raw materials or semi-finished products into finished products. The products of extractive industries generally become the raw-materials of manufacturing industries. Factory production is the outcome of manufacturing industry. Manufacturing industries may take any one of the following forms: Analytical, Synthetic, Processing, and Assembly Line.

(i) Analytical: This is a situation where the basic material is analysed and separated into a number of products. Oil refining is an example of analytical industry. The crude oil is extracted from beneath the earth and is processed and separated into petrol, diesel, kerosene, gasoline, lubricating oil, etc.

(ii) Synthetic: In this type of industries at least two materials are mixed together in the manufacturing operations to obtain some new products. Products like soap, cement, paints, fertilizers, cosmetics are the products of this industry. A new product will be derived from the combination of two or more products mixed together.

(iii) Processing: In this type of industry, raw materials are processed through a series of manufacturing operations making use of analytical and synthetic methods. Textiles, sugar and steel are examples of this category of industries.

(iv) Assembly line: In assembly line industry, the finished product can be produced only after various components have been made and then brought together for final assembly to be converted into final or finished products. Production of automobiles, watches, televisions, bicycles, railway wagons, etc., are the typical examples of the industry.

Construction Industries: These types of industries are focused on the making of constructing of buildings, bridges, dams, roads, canals, etc. These industries use the products of manufacturing industries such as Iron and Steel, Cement, Lime, Mortar, etc. and also the products of extractive industry such as stone, marble, granite, etc. one of the remarkable feature of these industries is that their products are not sold in the sense of being taken to the markets. They are constructed and fabricated at fixed sites.

(B) Commerce: It is an interchange of goods or commodities, especially on a large scale between different countries (foreign commerce) or between different parts of the same country (domestic commerce) trade; business. It can also refer to the process of buying and selling. It covers wholesale, retail, import, export trade and all those activities which facilitate or assist in such buying and selling such as storing, grading, packaging, financing, transporting, insuring, communicating, warehousing, etc. The main functions of commerce is to remove the hindrance of (i) persons through trade; (ii) place through transportation, insurance and packaging; (iii) time through warehousing and storage; and (iv) knowledge through salesmanship, advertising, etc., arising in connection with the distribution of goods and services until they reach the final consumers. The concept of commerce usually covers two important areas: **Trade**

Service business or Aids to trade

(i) Trade: The term trade refers the act or process of buying, selling, or exchanging commodities, at either wholesale or retail, within a country or between countries. It is also the process of transferring of goods and services. It is the central activity around which the ancillary functions such as banking, transportation, insurance, packaging, warehousing and advertising are surrounded. Trade can be categorized into two classifications:

(a) Domestic Trade: this is also refers to as internal trade. It is internal because, it only focuses on

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buying and selling of goods within the boundaries of a country and the payment for the same is made in national or local currency either directly or through the banking system. Domestic trade can be further sub-divided into wholesale trade - Buying of goods in large quantities from producers and selling the same in small quantities to retailers and retail trade – activities involved in the selling of commodities directly to consumers, i.e. an industry that sells primarily to individuals, not corporations

(b) Foreign Trade: it is also known as international trade. It refers to the exchange of goods and services between two or more countries. International trade involves the use of foreign currency (called foreign exchange) ensuring the payment of the price of the exported goods and services to the domestic exporters in domestic currency, and for making payment of the price of the imported goods and services to the foreign exporter in that country's national currency (foreign exchange). International trade allows expansion of markets for both goods and services that otherwise may not have been available.

(ii) Service businesses: These are usually regarded as Aids to Trade. As already highlighted earlier, there are certain function such as banking, transportation, insurance, ware-housing, advertising, communication, etc. which constitute the main auxiliary functions helping trade both internal and international. These auxiliary functions are discussed below.

(a) Banking: A financial institution licensed as a receiver of deposits. There are two types of banks: commercial/retail banks and investment banks. In most countries, banks are regulated by the national government or central bank. Banks provide a device through which payments for goods bought and sold are made thereby facilitating the purchase and sale of goods on credit. Commercial banks are mainly concerned with managing withdrawals and deposits as well as supplying short-term loans to individuals and small businesses.

(b) Transportation: it is any device used to move business item from one location to another. Common forms of transportation include planes, trains, automobiles, and other two-wheel devices such as bikes or motorcycles. It involved carrying goods from producers to wholesalers, retailers, and finally customers. It provides the wheels of business. It has linked all parts of the world together thereby enhancing international trade.

(c) Warehousing: A warehouse is a planned space for the storage and handling of goods and material. There is generally a time lag between the production and consumption of goods. This problem can be solved by storing the goods in warehouse. Storage creates time utility and removes the hindrance of time in trade. It performs the useful function of holding the goods for the period they move from one location to another. Thus, warehousing assists in discharging the function of storing the goods both for manufacturers and traders for such time till they decide to move the goods from one point to another.

(d) Insurance: In any economy, the insurance industry plays significant roles in helping to smooth the business environment and shoring up investors' confidence. Insurance industry provides intangible products in the same way as banks, hotels, etc therefore the firms in the industry are regarded as service companies. Insurance provides a cover against the loss of goods in the process of transit and storage. An insurance company performs a useful service of compensating for the loss arising from the damage caused to goods through fire, pilferage, thief and the hazards of sea, transportation and thus protects the traders from the fear of loss of goods. It charges insurance premium for the risk covered.

(e) Advertising: Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. When effectively advertising is better placed to meet the needs of its customers, consumers and stakeholders. First, it enables, other things being equal, successful execution, culminating in the profitable marketing of the advertised product. Too, it meets the socioeconomic needs of consumers, whose standard of living is enhanced, economically empowered and presented with better choices. Advertising performs the function of bridging the information gap about the availability and uses of goods between traders and consumers. In the absence of advertising, goods produced by businessmen would not have been

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sold to a widely scattered market and customers would not be aware of the new products.

(f) Communication: This is another service area that aid business. It helps because up-to- date information is required. This information can be accessed through computers, satellite links and fax machines, mobiles. In addition to the above discussion as regards the scope of business, there are other several

- a) Demand Analysis and Forecasting
- b) Cost and production Analysis
- c) Pricing Decisions, policies and practices
- d) Profit Management
- e) Capital Management
- f) E-commerce

a) Demand Analysis and Forecasting: Demand analysis and forecasting provided the essential basis for business planning and occupies a strategic place in business organisation. A business firm is an organization which converts productive resources into finished goods. These finished goods will be offered to the market. However, what will be produce for the market will be based on the market demand. This is because business decision making depends on accurate estimates of demand. A demand forecast will assist business owners in maintaining and strengthening market position and reduce wastage. Demands analysis helps identify the various factors influencing the product demand and thus provides guidelines for manipulating demand.

b) Cost and Production Analysis: The essence of costs and the ability to measure them in business are the necessary steps for more effective profit planning, cost control and sound pricing practices. All business decisions will be influence by cost of production. A study of costs, combined with the data drawn from the business records, can yield significant cost estimates which are useful for business decisions. Production analysis is narrower, in scope than cost analysis. Production analysis frequently proceeds in physical terms while cost analysis proceeds in monetary terms.

c) Pricing Decisions, Policies and Practices: Pricing is an essential and pivot area of business. In fact, price is the genesis of business revenue and as such its performance majorly depends on how correctly the pricing decisions are taken. Business that is producing goods and services need to set the price for their product. Setting the price for an organization's product is one of the most important decisions a business manager faces. It is one of the most crucial and difficult decisions a Business's manager has to make. Pricing is a profit planning exercise. In pricing business owners must be knowledgeable about pricing method, differential pricing, price forecasting, etc.

d) Profit Maximization: Profit maximization is another scope of any business. Profit of a business is the surplus remaining after total costs are deducted from total revenue, and the basis on which tax is computed and dividend is paid. Profit is the yardstick to measure of success in a business. Profit is reflected in reduction in liabilities, increase in assets, and/or increase in owners' equity. Profit maximization refers to the sales level where profits are the highest. Some people think that higher sales level translates to higher profits, this may not be the case in some situations. Although the essence of business organisations are generally to make profits both in short and long run.

e). Capital Management:

Capital management focuses on planning and control of capital.business organisation strives to maintain sufficient and equal levels of working capital, current assets, and current liabilities. This helps a business to meet its expense obligations while also maintaining sufficient cash flow and is primarily related to short term business financial decisions. It is a managerial accounting strategy focusing on maintaining efficient levels of both components of working capital, current assets and current liabilities, in respect to each other. Capital management ensures a business has sufficient cash flow in order to meet its short-term debt obligations and operating expenses.

f) E-commerce:

Electronic commerce, commonly known as E-commerce or e-commerce, is trading in products or services using computer networks, such as the Internet. E-commerce electronic commerce is the

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buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. There are multiple types of sales scenario that e-commerce system can combine depending on a company's sales approach towards their customers. These business transactions are Business-to-Consumer (B2C), Business-to-Business (B2B), Consumer-to Business (C2B) and Consumer-to-Consumer (C2C).

Beneficiaries of Business

There are many beneficiaries of business activities; however, the paper will only focus on the following under listed people:

(i) **Business Owners:** business owners are the individual that provided the capital for running the business. The principal beneficiaries of business success are the owners of the business. They enjoy the profit accrue from the business which lead to increase in income to the owners. They are the decision makers of the business and working for themselves.

Significance or benefits of business

1. Satisfaction of Wants: For any business to function, it understands the needs of the customers. Measuring customer satisfaction provides an indication of how successful the organisation is at providing and \or services to the marketplace. The wants of people are growing day by day. Their expectations from the business are continuously increasing. When one want is satisfied, another crops up. Business helps in satisfying the growing needs and wants of the consumers by providing them better quality goods and services. Peter Drucker the management Guru has said to satisfy the customer is the mission and purpose of every business. Customer loyalty is a major contributor to sustainable profit and business growth. It is rightly said that no consumers-no business.

2. Higher standard of living: A huge amount of money is spent by the business firm on research and development to improve the quality of the product. It maintains continuity in the flow of goods and services to the customers. In these manner consumers get better quality products at reasonable price resulting into improving their standard of living.

3. Goodwill: Every business entity strives to create a good corporate image in the market to enhance its financial and social status. Consistent business practices ensure the business organisation to acquire goodwill and reputation in the market. Good reputation helps the firm to survive and expand the business. The business can earn goodwill by satisfying the growing needs of the consumers.

4. Increase in profit: Profit is important in any business. Profit is the main objective of every business. Satisfaction of consumer wants helps the business firm to achieve the well-defined objectives of earning profit and creation of wealth. This profit provides sustainable revenue to the government, which in turn utilised for administrative and social developmental purpose.

5. Employment opportunities: Business provides employment to lakhs of people. It generates employment opportunities in various sectors. People are involved in various activities such as production, distribution, marketing and promotion of products. Hence business is a source of livelihood to the people.

6. Rapid economic growth: Business organisation satisfies consumer needs by offering

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them products of their choice. It results into growth, expansion and diversification of business. The firm enjoys economies of large-scale production and distribution, which results into set up of new industries thereby accelerating economic growth. Business brings about industrial and economic development of the country. Creation of employment opportunities and globalisation has led to rapid economic growth.

7. Revenue to the Government:

Business provides assistance to the government by paying taxes and revenue on profit. This revenue is again utilised by the government for the well-being of the society by undertaking various developmental activities. Government support can enhance the business growth.

8. Benefits to Society: society is an organized group of persons associated together for religious, benevolent, cultural, scientific, political, patriotic, or other purposes. The totality of people regarded as forming a community of interdependent individuals: working for the benefit of society. The society benefits from the business activities in no small measure particularly with regard to corporate social responsibility of business. Business constructed roads, built schools and equipped schools, supplied text books to schools, provided pipe borne water or sinking of motorized borehole, etc.

Benefit to all Stakeholders of the Business

Stakeholders are persons or group of persons who have committed something in the business enterprise and, therefore, have expectations from it. This is totally different from beneficiaries of business. Stakeholders are those involved in, affected by, or able to influence the business. The following are the general stakeholders of the business in any economy are Communities, Competitors, distributors, Customers and consumers, Employees and agents, Families, Government, Media and advocacy groups, Owners / shareholders, Society and Suppliers.

Traditional and Modern concept of Business

Meaning of Traditional Concept: Business is the production and distribution of products for personal gain. The profit-oriented concept also known as the traditional concept of business. Any human activity directed towards the acquisition of wealth or earning profit through production or exchange of goods was treated to be a business. The traditional concept states that the business aims to make a profit through the production and marketing of products. Products can be of various types. The traditional concept states that the objective of the business is to earn profit through production and marketing of products. For example, the main objective of business of material goods, services, ideas, and information, etc. is to get maximum profit according to the traditional concept.

Modern concept:

Meaning of Modern Concept: The business organization should determine the needs of the customers and deliver them the desired products. The business organization began to think that business should earn profits through service and satisfaction of the customers. Consumer satisfaction is the focal point of the modern concept of business. The modern concept states that business earns profit through customers satisfaction. Business without consumers is not business. It develops long term relations with customers. The business should earn profit with social responsibility. It should care about the welfare of society and consumers. It must work within the law. Profits can be made by maintaining social accountability. It attempts to incorporate every

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aspect of human civilization. It sees modern business as a socio-economic institution that is always responsible to society.

Difference between Traditional and Modern Concept:

Topic	Traditional Concept	Modern Concept
Meaning	Business is the production and distribution of products for personal gain.	The business organization should determine the needs of the customers and deliver them the desired products.
Orientation	Profit-Oriented.	Customer and Society-Oriented.
Origin	Need of the producer to sell his excess production to earn the profit.	Competitive market conditions, the legal framework of business, the consumer.
Consumer Preference	No role.	This is the basis of the modern concept.
Assumption	Customer will buy those products which are available at cheaper rates in the market.	The business will survive only when product/services satisfy the customer needs and protect society's interest.
Ownership and Management	Business is managed by family members, friends, and relatives.	Business is widely held by the public and is managed by professional managers.
Geographical Scope	Limited to the local area.	The extent of the global area.

1.2 Objectives of Business: Steps in setting business objectives, classification of business objectives,

Objectives refers to what the business intends to do. Purpose clarifies business behaviour individually and collectively, and is based upon what the business values, instrumentally and terminally. The purpose of a University is to teach and carry out research because education is valued; the purpose of business is to make a profit because economic wealth is valued and so on. Understanding the value behind the purpose is fundamental if one wants to set any strategic direction. Without this information, a business is a drift and will move in the direction of each and every wave. If a businessman wants to take control of his own business and explicitly set a direction, he must firmly establish the Objectives of such business. The objective of business activity is to identify and satisfy the needs and wants of the people with the overall aim of earning

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profit. More also, in defining an appropriate business purpose, the 5 “Ws” (Why, Who, What, When, and Where) can help businessman to determine the information he/she to consider in the in the business purpose.

According to Drucker (2014) “If we want to know what a business is, we have to start with its objective. And the objective must lie outside the business itself. In fact, it must lie in society, since a business enterprise is an organ of society. There is only one valid definition of business purpose: to create a customer”. This implies that the customer is a foundation of a business and keeps it in existence. The customer alone gives employment and it is to supply the customer that society entrusts wealth-producing resources to the business. It is the purpose of business to create a customer. Business has some basic functions which must be performed in order for business to achieve its purpose,

Steps for Setting Business Objectives

1. Reconsider your business values, mission and vision. Successful companies have a purpose that drives them. Before you look ahead, remind yourself of what you believe in, and the change you want to bring about. Why do you do what you do? How do you do it? Where do you want to take your company in five years' time? The answers to these questions reflect what makes your company different from others, and inspire your employees.

2. Evaluation of the past and visualization of the future. Success does not happen overnight, which is why you need to think ahead. You can make strategic decisions for your company based on objective data.

Evaluate business performance over the past year. It or other benchmarks, they provide valuable information for comparison. Where did you exceed predictions? Where did you fall short? They may point to underlying success drivers, as well as potential areas of improvement.

Evaluate the current market situation. What are the industry trends for the coming year? How are you competitors performing? Where do you think your company fit in the landscape? Get employee feedback. Your employees may have observations that will help you form an effective strategy. Asking for their input also shows that you appreciate their efforts. Decide on your long term strategy. Based on your analysis of information gathered, you can determine your strategic approach and priorities. Planning methods like SWOT(Strength, weakness, opportunity and Threats) analysis help you identify opportunities and challenges ahead.

3. Set goals for the year of next year and 3 months or 1st quarter goals. Set annual and quarterly goals. To make sure that your goals complement your strategy, think in terms of

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outcomes you would like to see happen. Use the Objective and Key Results (OKR) system to structure your goals. It helps you put your goals in concrete and measurable terms, so you know whether your work is delivering the outcomes you desire. Objectives are big, ambitious goals, and Key Results are quantifiable outcomes that reflect your progress toward the Objective. Make sure your OKRs push you right outside your comfort zone. set goals for company, team and employees. At the end of the quarter, you can evaluate your progress, celebrate success, and set new OKRs for the quarter after. If you aren't able to achieve the Key Results, you can examine the reasons behind it, and decide whether you need to change or adjust them for the new quarter.

4. Make progress toward your goals with Weekly Plans. To avoid the "set and forget" issue that many people have when they set goals, review your OKRs on a regular basis. Think about what you can do every week in order to meet them. Link your Weekly Plans to your Objectives. That way have a bird's eye view on what you're working on, and whether you're making headway toward your goals.

5. Value your employees' efforts: Employees are more engaged and productive when they have a sense of ownership. Discuss your OKRs in your weekly meetings, and give feedback and recognition when it's due. All OKRs should be visible to everyone in the company, so they understand the impact their work is making. As you're gearing up for next year with clear goals, you're now one step closer to success. Your hard work will bear fruit in the new year.

Business plays a major role in our society. It is a creative and competitive activity that continuously contributes to the shaping of our society. By satisfying the needs and wants people cannot satisfy themselves, businesses improve the quality of life for people and create a higher standard of living. An institution or organization or economic system which or where goods and services are exchanged for money called a business.

The **business objective** is a goal, i.e. where the business wants to reach in the future. For example, a business wants to set up its franchise in another state in the next 3 years or it wants to increase its workforce in the coming months.

Business needs objectives, without objectives the business is like a car without headlights. Objectives of business are the purpose for which the business is established and performed. We can call objectives the cornerstone of every business.

Business objectives are something which a business organization wants to achieve or accomplish over a specified period of time. Business objective is the purpose or the reason for which a business exists and operates. These may be to earn profit for its growth and development, to provide quality goods to its customers, to protect the environment etc.

According to McFarland, "Objectives are the goals, aims or purposes that organizations wish to achieve over varying periods of time."

The most effective business objectives meet the following criteria

Specific-Objectives are aimed at what the business does, e.g. a hotel might an objective of filling 60% of its beds a night during October, an objective specific to that business.

Measurable- the business can put a value to the objectives, e.g. 10000 in sales in the next half year of trading.

Agreed- Agreed by all those concerned in trying to achieve the objective.

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Realistic- the objective should be challenging, but it should also be able to be achieved by the resources available.

Time Specific- They have a time limit of when the objectives should be achieved, e.g. by the end of year.

Classification of business objectives

Organic Objectives	Social Objectives	Human objectives	National objectives	Global objectives
<ul style="list-style-type: none"> • Survival • Growth • Goodwill • Profit earning • Optimum use of resources of fair 	<ul style="list-style-type: none"> Creation of customer <u>Innovation</u> Production and trade practices. Contribution for the welfare of the society 	<ul style="list-style-type: none"> supply of quality goods & services <u>Adoption</u> Fair wages and salary. employees. Development of human resource. 	<ul style="list-style-type: none"> Social and psychological satisfaction of employees. Employment creation. Equal employment opportunities Regular payment of tax liability. 	<ul style="list-style-type: none"> Production as per national priority. Increasing Export promotion and self sufficiency. Make globally competitive products.

Organic Objectives • Survival • Growth • Goodwill and Image

Every business is established with the hope that it will exist, survive and thrive for a pretty long period. Therefore, every business has the following organic objectives:- Survival- Every business has the objective of its own survival and existence. It is the basic objective of every business. It should be noted that if a business succeeds in surviving over a fairly long period of time, it would be in a position to achieve all its objectives, otherwise not.

Growth-Growth means expansion of business activities by introducing new products or expanding and diversifying existing product lines or by entering into new market. When a business succeeds in surviving, it would pursue the objective of growth. Businessman should Increase its investment, Increase its production capacity , Increase its market share, Increase its geographical area, Use innovative production and marketing strategies

Goodwill and Image- Every business makes every effort to enhance its goodwill and image. Businessman should deal with all the customers with honesty and integrity. To take care of the interests of all its stakeholder's properly. It should be noted that satisfied customers and other stakeholders are the strongest means of goodwill and image of a business.

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Business is an Economic activity therefore Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which include, creation of customers, regular innovations and best possible use of available resources. Economic Objectives

Profit earning - Profit is the lifeblood of business, without which no business can survive in a competitive market. In fact profit making is the primary objective for which a business unit is brought into existence. Profits must be earned to ensure the survival of business, its growth and expansion over time. Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits.

In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows: Creation of customers A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities. Economic Objectives

Regular innovations- Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Business units, through innovation, are able to reduce cost by adopting better methods of production and also increase their sales by attracting more customers because of improved products. } Reduction in cost and increase in sales gives more profit to the businessman. Use of power-looms in place of handlooms, use of tractors in place of hand implements in farms etc. are all the results of innovation.

Best possible use of resources - to run any business you must have sufficient capital or funds. The amount of capital may be used to buy machinery, raw materials, employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines. The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. This objective can be achieved by employing efficient workers, making full use of machines and minimizing wastage of raw materials.

Business exists and operates in society. It draws all its resources from the society and sells its product/ services to the member of the society. Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities. Social Objectives

Production and supply of quality goods and services since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business. The objective of business should be to produce better quality goods and supply them at the right time and at a right price. It is not desirable on the part of the businessman to supply inferior goods which cause injuries to the customers. They should charge the price according to the quality of the

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goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

Adoption of fair trade practices - In every society, activities such as black-marketing and over charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. Such advertisements deceive the customers and the businessmen use them for the sake of making large profits. This is an unfair trade practice. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.

Contribution to the general welfare of the society- Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges for better education, opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

Human objectives refer to the objectives aimed at the well-being as well as fulfilment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources. **Human Objectives**

Economic well-being of the employees - In business employees must be provided with fair remuneration and incentives for performance, benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

Social and psychological satisfaction of employees -It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work. Opportunities for promotion and advancement in career should also be provided to the employees. Further, grievances of employees should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

Development of human resources -Employees as human beings always want to grow. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its Employees.

Well-being of socially and economically backward people - Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways for instance, vocational training programme may be arranged to improve the earning capacity of backward people in the community. While recruiting

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it staff, business should give preference to physically and mentally challenged persons. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

National goals and aspirations- The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchange, become self-sufficient in production of goods and services, promote social justice, etc. Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business. The following are the national objectives of business. **National Objectives**

Creation of employment -One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

Promotion of social justice - As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. She/he is also expected to provide equal opportunities to all the employees to work and progress. Towards this objective special attention must be paid to weaker and backward sections of the society. **National Objectives**

Production according to national priority - Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the Government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

Contribute to the revenue of the country - The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation. **National Objectives**

Self-sufficiency and Export Promotion - To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business units should aim at increasing exports and adding to the foreign exchange reserves of the country.

Earlier India had a very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export–import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced. This change has brought about increased competition in the market today because of globalization the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. **Global Objectives**

Raise general standard of living - Growth of business activities across national borders makes available quality goods at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people. **Global Objectives**

Reduce disparities among nations - Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing

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as well as underdeveloped countries it can foster their industrial and economic growth.

Global Objectives -Make available globally competitive goods and services -Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

Reconciliation of the economic and social Objectives - balancing of economic and social objectives together. Objectives are needed in every area where performance and results directly affect the survival and prosperity of a business. The right choice of objectives is critical for the success of the business.

Economic Objectives of Business-We learned in the previous topic that business is an economic activity. Hence, its purpose is to show economic results. Let's understand the economic objectives of the business. They are as follows:

1] Profit Earning-Business is a set of activities undertaken with the prospect of sale for the purpose of earning a profit. Profit is the extra income over the expenses. The main objective of any business is to earn a profit. Just as a plant cannot survive without water, similarly a business cannot sustain without profit.

2] Market Share / Creation of Customers-In the long run, the survival of the business completely depends upon the market share captured by the business. The creation of good and satisfaction of the needs of the customer is a crucial purpose of the business. So to generate profit and demand, the business must supply premium quality and give value for money products.

3] Innovation & Utilization of Resources-Innovation normally means to change processes or creating more effective processes, products and ideas. Nowadays, business is ever-changing and dynamic. To keep up with the growing competition a businessman has to introduce efficient design, latest trends, upgraded machinery, new techniques, etc.

4] Increasing Productivity-Productivity is a scale to measure the efficiency of the business activity. It is usually the last objective but just as important because productivity is measured by the output given by the activities. It is the end result of any business activity. Each business must go for more prominent productivity – to guarantee its survival and development. This goal can be accomplished by decreasing wastages and making proficient utilization of machines and supplies, HR, cash and so forth.

Social Objectives of Business-According to Dayton Hudson “The business of business is serving society, not just making money.” Business is one of the pillars on which society stands. Therefore, it is a part of society. In fact, it cannot thrive without the resources from society. The business earns its income from the sale of products and services to society. It is mandatory on the part of the business to take care of the social factors. The necessary social objectives of a business are as follows:

1] Providing Goods & Services at Reasonable Prices-Business exists in the first place to satisfy the needs of society. It's the first and major social objective of the business. Products and services ought to be of better quality and these ought to be provided at sensible costs. It is additionally the social commitment of business to keep away from misbehaviors like boarding, Black promoting and manipulative advertising.

2] Employment Generation-One of the major problems of today's generation facing is unemployment. The business generates employment. Therefore, it is the social objective of a

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business to give chances to beneficial employment to individuals of society. In a nation like India, unemployment has turned into a critical issue.

3] Fair Remuneration to Employees- The **business** does not run on its own but the people are responsible for the success and failure of the business. The people on the inside of the business are more valuable i.e. employees. They are an asset of the business and make a ground-breaking contribution to the business. They must be given reasonable pay for their work.

4] Community Service- Business must give back something to society. As a result, the Library, dispensary, educational foundations and so on which a business can make and help in the advancement of society are created.

1.3 New Trends in Business: Impact of Liberalization, Privatization and Globalization, Strategy alternatives in the changing scenario, Restructuring and turnaround strategies

A **trend** is what's hip or popular at a certain point in time. ... Some **trends** are fun, some fabulous, some appalling, but however long they last, you can be sure there will always be a **new trend** coming along to replace the old. An **example** of **trend** is the style of bell bottom jeans. New trend means latest changes happening in business.

New model of economic reforms is commonly known as the LPG or

Liberalization, Privatization and Globalization model. ...

Liberalization refers to relaxation of government restrictions in areas of economic policies. **Liberalization** is removal or relaxation of restrictions imposed by the previous government usually in areas of economic or social policy. In the area of social policy, **liberalization** refers to the relaxation of laws for example, laws on homosexuality, drugs, abortion, divorce etc.

privatization, which is the process of transferring ownership or outsourcing of a business, enterprise, agency, public service or public property from the public sector to the private sector. The transfer of ownership, property or business from the government to the private sector is termed **privatization**. The government ceases to be the owner of the entity or business. The process in which a publicly-traded company is taken over by a few people is also called **privatization**.

Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. ... Likewise, for centuries, people and corporations have invested in enterprises in other countries.

Impacts of Liberalisation in India

Positive impacts of liberalisation in India Negative impacts of liberalisation in India

Free flow of capital: Liberalisation has improved flow of capital into the country which makes it inexpensive for the companies to access capital from investors. Lower cost of capital enables to undertake lucrative projects which they may not have been possible with a higher cost of capital pre liberalisation, leading to higher growth rates.

Stock Market Performance: Generally, when a country relaxes its laws, taxes, the stock market values also rise. Stock Markets are platforms on which Corporate Securities can be traded in real time.

Destabilization of the economy: Tremendous redistribution of economic power

and political power leads to Destabilizing effects on the entire Indian economy.

Political Risks Reduced: Liberalisation policies in the country lessens political risks to investors. The government can attract more foreign investment through liberalisation of economic policies. These are the areas that support and foster a readiness to do business in the country such as a strong legal foundation to settle disputes, fair and enforceable laws.

Diversification for Investors: In a liberalised economy, Investors gets benefit by being able to invest a portion of their portfolio into a diversifying asset class.

Impact on Agriculture: In the area of agriculture, the cropping patterns has undergone a huge modification, but the impact of liberalisation cannot be properly measured. It is observed that there are still all-pervasive government controls and interventions starting from production to distribution for the produce.

Potential benefits of privatisation

The main argument for privatisation is that private companies have a profit incentive to cut costs and be more efficient. If you work for a government run industry managers do not usually share in any profits. However, a private firm is interested in making a profit, and so it is more likely to cut costs and be efficient. Since privatisation, companies such as BT, and British Airways have shown degrees of improved efficiency and higher profitability.

2. Lack of political interference

It is argued governments make poor economic managers. They are motivated by political pressures rather than sound economic and business sense. For example, a state enterprise may employ surplus workers which is inefficient. The government may be reluctant to get rid of the workers because of the negative publicity involved in job losses. Therefore, state-owned enterprises often employ too many workers increasing inefficiency.

Impact of FDI in Banking sector: Foreign direct investment allowed in the banking and insurance sectors resulted in decline of government's stake in banks and insurance firms.

1. Improved efficiency

Threat from Multinationals: Prior to 1991 MNC's did not play much role in the Indian economy. In the pre-reform period, there was domination of public enterprises in the economy. On account of liberalisation, competition has increased for the Indian firms. Multinationals are quite big and operate in several countries which has turned out a threat to local Indian Firms.

Technological Impact: Rapid increase in technology forces many enterprises and small scale industries in India to either adapt to changes or close their businesses.

Mergers and Acquisitions: Acquisitions and mergers are increasing day-by-day. In cases where small companies are being merged by big companies, the employees of the small companies may require exhaustive re-skilling. Re-skilling duration will lead to non-productivity and would cast a burden on the capital of the company.

3. Short term view

A government many think only in terms of the next election. Therefore, they may be unwilling to invest in infrastructure improvements which will benefit the firm in the long term because they are more concerned about projects that give a benefit before the election. It is easier to cut public sector investment than frontline services like healthcare.

4. Shareholders

It is argued that a private firm has pressure from shareholders to perform efficiently. If the firm is inefficient then the firm could be subject to a takeover. A state-owned firm doesn't have this pressure and so it is easier for them to be inefficient.

5. Increased competition

Often privatisation of state-owned monopolies occurs alongside deregulation – i.e. policies to allow more firms to enter the industry and increase the competitiveness of the market. It is this increase in competition that can be the greatest spur to improvements in efficiency. For example, there is now more competition in telecoms and distribution of gas and electricity.

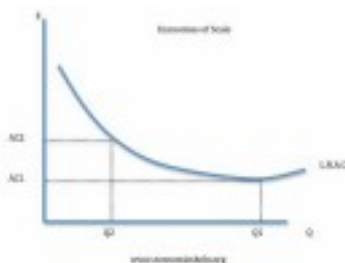
- However, privatisation doesn't necessarily increase competition; it depends on the nature of the market. E.g. there is no competition in tap water because it is a [natural monopoly](#). There is also very little competition within the rail industry.

6. Government will raise revenue from the sale

Selling state-owned assets to the private sector raised significant sums for the UK government in the 1980s. However, this is a one-off benefit. It also means we lose out on future dividends from the profits of public companies.

Disadvantages of privatisation

1. Natural monopoly



A natural monopoly occurs when the most efficient number of firms in an industry is one. For example, tap water has very significant fixed costs. Therefore there is no scope for having competition amongst several firms. Therefore, in this case, privatisation would just create a private monopoly which might seek to set higher prices which exploit consumers. Therefore it is better to have a public monopoly rather than a private monopoly which can exploit the consumer.

2. Public interest

There are many industries which perform an important public service, e.g., health care, education and public transport. In these industries, the profit motive shouldn't be the primary objective of firms and the industry. For example, in the case of health care, it is feared privatising health care would mean a greater priority is given to profit rather than patient care. Also, in an industry like health care, arguably we don't need a profit motive to improve standards. When doctors treat patients, they are unlikely to try harder if they get a bonus.

3. Government loses out on potential dividends.

Many of the privatised companies in the UK are quite profitable. This means the government misses out on their dividends, instead going to wealthy shareholders.

4. Problem of regulating private monopolies.

Privatisation creates private monopolies, such as the water companies and rail companies. These need regulating to prevent abuse of monopoly power. Therefore, there is still need for government regulation, similar to under state ownership.

5. Fragmentation of industries

In the UK, rail privatisation led to breaking up the rail network into infrastructure and train operating companies. This led to areas where it was unclear who had responsibility. For example, the Hatfield rail crash was blamed on no one taking responsibility for safety. Different rail companies has increased the complexity of rail tickets.

6. Short-termism of firms

As well as the government being motivated by short term pressures, this is something private firms may do as well. To please shareholders they may seek to increase short term profits and avoid investing in long term projects. For example, the UK is suffering from a lack of investment in new energy sources; the privatised companies are trying to make use of existing plants rather than invest in new ones.

Impact of Globalization

Advantages :There are numerous advantages in the shift to a global economy including the possibility to increase benefits from economies of scale. The breaking down of global barriers allows companies to benefit from the largest & cheapest workforces, raw material, & technology. Due to globalization, in many areas of the country tomato growers, potato growers & fruit growers, farmers benefited from tie-up & collaborations with ketchup, potato chips, fruit juices etc. Fishermen in Kerala have increased their incomes using mobile phones to find out the best markets where the prices are highest on each day. Lock outs & strikes have declined to insignificantly low levels because industrial labor is happy. Due to Globalization the business market in the world has no boundaries; they can market their products in any part of the world. This has involved the chances of laying hands on global market & technologies, which would definitely increase our qualities of living standards. Globalization helps Indian Entrepreneur to

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know more about the competitors, recent trends, Quality of products. Helps in sourcing new technology for improving their Brand Quality. Hiring competent person irrespective of the nationality. Good exposure of Indian brands to overseas market. Due to increase in healthy competition with other brands, Indian brands will be forced to improve their quality and services to the customer. It aims at increasing the production of food and improvements of the economic and social condition of farmers. It would increase efficiency of the workers. Use of seeds and heavy machines has help to increase agricultural productivity. It would improve animal husbandries would be able to import good breed of animals from the other countries. Farmers will get the privilege of the international market through export agricultural products.

Disadvantages:

Rise in demand for labour & the rise in wage rates leading to increase in costs. Too much competition in the market leading to continuous pressure on raising productivity enhancing consumer service, improving products quality in order to survive. Voluntary retirement for many public sector units. Too many sales person chasing customers. Too many cars on the road & traffic congestion. Growth of consumerism. Shortage power & infrastructure affecting industrial expansion. The farmer got the exposure to global links of markets, technology & investments, beneficial in terms of involving their yields, getting better prices & secured off take. This leads to a major dissatisfaction among under developed/developing countries where they are cut off from the rest of the world. This has also increased the chances of inferiority complex among these nations. There is a fundamental problem with globalization which will cause international tension & trade disputes without arresting the process. It may be difficult to survive for SSI and other industries which are unable to cope up with the changes due to insufficient funds. Indian Talent is being attracted towards other country due to higher salary and emoluments. Due to heavy taxation and levies in India, end products are being costly as compared to imported brands. All the multinational companies MNC's are examples, such as pepsi , cocacola, ibm, general electric, vodafone, almost all have its business allover the world. for a MNC target market is whole world itself.

Strategy alternatives in the changing scenario,

It's a VUCA (volatility, uncertainty, complexity and ambiguity) world that we live in today. Global megatrends like geopolitical transitions, dynamic oil pricing, technological advancement, and etc. shape industry dynamics, making the future business scenario unpredictable and complex. It is, therefore, crucial to assess these megatrends thoroughly and incorporate them in business strategies.

Regulation changes, for instance, impact in shorter time horizons, while factors like changing demographics show their effect in the longer term. To evaluate trends across time horizons, organisations follow different approaches. Traditional methods like forecasting are effective in a relatively stable environment; however, in a rapidly changing business environment, alternative methods like scenario planning take the uncertainties into consideration too. This helps organisations determine if their current strategy would suffice to succeed. Organisations can operate from a proactive position in response to the elements of surprise of any conceivable future.

Here's how to undertake scenario planning for your company

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Define the focal theme: The focal theme acts as an anchor for the entire planning process. It could be open-ended like, “The future outlook of the automotive industry” or precise like, “Is ASEAN an attractive market for our product, 10 years later?” The scenarios and strategies formulated in the subsequent steps should clearly address the focal theme.

Identify megatrends: the megatrends affecting a product-oriented business can be identified using the business ecosystem framework, which buckets elements affecting a business into three layers. The central layer includes elements contributing to the core functioning of the business. The middle layer includes the extended enterprise elements whereas the outermost layer includes all elements that could possibly affect the business.



The complex interaction of emerging trends in every element helps in identifying the megatrends that could affect an industry in the mid-to-long term. In case of the automotive industry, a shortened product lifecycle is a resultant of various trends such as evolving consumption, technology convergence, etc. Similarly, the use of alternative powertrain is a result of climate change, de-carbonisation norms, natural resource constraints, etc.

Along with the identified megatrends, there could also be certain discontinuities like the US China trade war, which could possibly change the path of emerging trends, resulting in rapid acceleration in their transitions or may even cause them to disappear. It is therefore important to check for signs of any discontinuities to avoid the latent cost.

Megatrends, which mark ‘high’ on relevance to the focal theme and on degree of uncertainty, are considered as critical uncertainties. For the focal theme ‘The future outlook of the automotive industry’, evolving consumer needs, de-carbonisation and safety norms, could be some of the critical uncertainties.

Build a scenario matrix: a pair of critical uncertainties that represent independent elements from the business ecosystem framework can form a scenario matrix. The next task is to build scenario stories around the identified scenarios that effectively address the focal theme, clearly link the relevant trends and draw distinct causation to future scenarios.

Identify strategic opportunities: each scenario is critically analysed for its implications on the industry and organisation, and appropriate strategic options are identified. The strategic options applicable in every scenario should be immediately worked upon and transformed into detailed strategy. Those that play out in 2-3 scenarios should be next in line; and lastly, the ones that are relevant to a single scenario.

The identified strategic options are absorbed into the overall corporate strategy, in line with the

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organisation’s vision and mission. In case of the automotive industry, companies need a vehicle segment plan and, thereby, individual product-cycle plans. A program-specific strategy is developed for vehicle design and development, tooling and manufacturing.

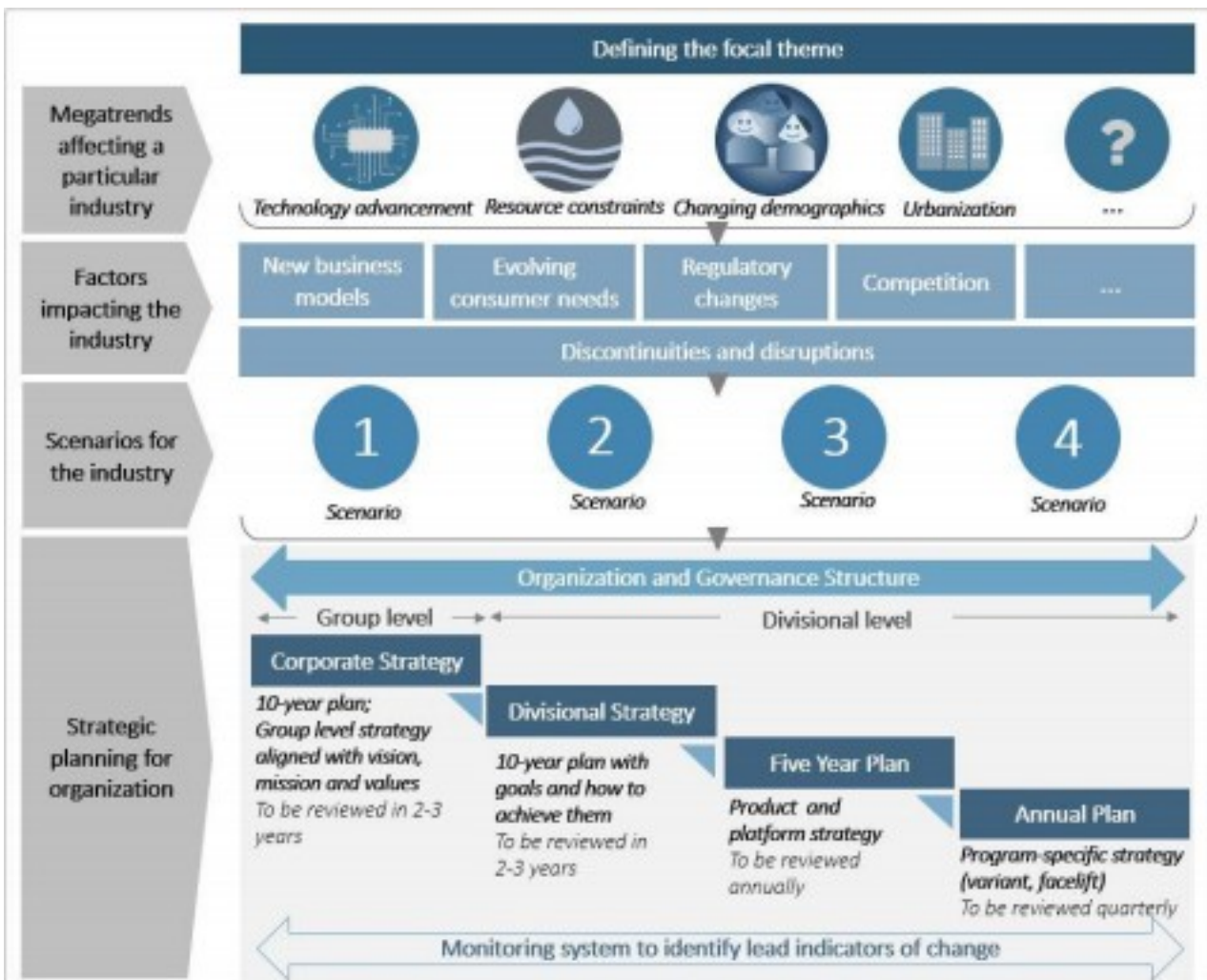
Monitor early indicators

Once the scenarios are identified and strategies are built, it is essential to look out for signs when the scenarios start to unfold. A monitoring system needs to be set up with measurable lead indicators that can be tracked and it should be flexible for continuous updating to track the obvious, subtle and the unforeseen-at-first indicators.

Integrating into long, medium and short-term strategic planning

while the monitoring system tracks the already identified megatrends, it might miss out on the newly emerging trends. Therefore, it is important to re-conduct the entire exercise over a suitable time period. The 10-year corporate strategy plan, at the group and divisional level should be reviewed every 2-3 years. This may lead to updating technology roadmaps or new business models. The five-year plan should be reviewed annually and product or platform strategies should be updated accordingly.

In the short-term, the business environment is relatively stable. However, some abrupt factors like unusual rainfall, stock levels, etc. may result in temporary business uncertainties. It is important to identify such triggers beforehand and fine-tune the demand forecasts accordingly. For this, the annual plan should be updated by conducting quarterly reviews.



Long-term business planning process

Organisation and Governance structure

A dedicated team comprising of the board and the management with representation from key functions is essential. The process of identifying strategic options is a joint board-management effort, following which, the management majorly focuses on building and implementing the strategy, at group and division level, whereas the Board conducts evaluation through reviews.

It is also important to have a governance structure in place, through a set of guidelines with regards to accountability and decision-making powers.

Continuous upgrading

Business planning can never be addressed with standalone methods. Forecasting and scenario planning, when used together, deliver great results. The real business scenario could be more complex than what you have formulated. Therefore, it is important to update the business planning process annually to make it more accurate as per the changing business environment.

Restructuring and turnaround strategies

The Turnaround Strategy is a retrenchment strategy followed by an organization when it feels that the decision made earlier is wrong and needs to be undone before it damages the profitability of the company. Example: Dell is the best example of a turnaround strategy.

Turnaround managers, as advocates of necessary change, are often the much-unloved deliverers of pain. Restructuring is a complex financial exercise in projection and valuation, preparatory to a delicate, often painful, negotiated balancing of creditor needs and attitudes toward accepting less than-full repayment.

Turnaround management is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency, and to identify the reasons for failing performance in the market, and rectify them.

How do you implement a turnaround strategy?

6 quick steps to planning a turnaround strategy

1. Take control of your cash flow. If the business is haemorrhaging cash, take action to stop it as soon as is possible. ...
2. Make sure you have the right team in place. ...
3. Change your business proposition. ...
4. Right size your costs. ...
5. Make sure you have the cash to finance your business turnaround. ...
6. Communicate your plan to key stakeholders.

What are the key characteristics of a successful turnaround plan?

Many executives might never face a true crisis requiring immediate action to save a company, but it's becoming much more common to find yourself confronting a turnaround. In this situation, the five c's—**control**, cash, customer, culture, and connection—can help your strategy.

What should be the first step in the turnaround management process?

5 Steps of Turnaround Management :

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1. Step 1 – Define & Analyse. During the first and foremost stage, the definition of performance problems within the business are clearly defined and outlined. ...
2. Step 2 – Scope & Strategy. ...
3. Step 3 – Link & Action. ...
4. Step 4 – Implement. ...
5. Step 5 – Review.

What is a turnaround strategy when it becomes necessary describe different steps involved in turnaround process?

Turnaround strategy means to convert, change or transform a loss-making company into a profit-making company. It means to make the company profitable again. The main purpose of implementing a **turnaround strategy** is to turn the company from a negative point to a positive one.

When the firm should adopt the turnaround strategy? Following are certain indicators which make it mandatory for a firm to adopt this strategy for its survival. These are:

- Continuous losses
- Poor management
- Wrong corporate strategies
- Persistent negative cash flows
- High employee attrition rate
- Poor quality of functional management
- Declining market share
- Uncompetitive products and services

Also, the need for a turnaround strategy arises because of the changes in the external environment Viz, change in the government policies, saturated demand for the product, a threat from the substitute products, changes in the tastes and preferences of the customers, etc.

Example: Dell is the best example of a turnaround strategy. In 2006, Dell announced the cost cutting measures and to do so; it started selling its products directly, but unfortunately, it suffered huge losses. Then in 2007, Dell withdrew its direct selling strategy and started selling its computers through the retail outlets and today it is the second largest computer retailer in the world.

Moving from “What we want” to “What our customers want”

The legend of the dramatic Starbucks turnaround is heard far and wide. A company that has had its shares of ups and downs, took a radical change of approach to completely turn a business around. And it worked.

The economic crisis of 2008 hit Starbucks hard and they had to close around 1000 stores, and experienced a 28% profit loss over the course of 2 years. That’s nothing gradual. That’s a painful, immediate loss. But when things seemed like they were headed for certain failure, Howard Schultz, a previous CEO of the business, took back control with a clear message sent to all of the Starbucks staff: “The company must shift its focus away from bureaucracy and back to its customers.” And that’s what they did. Within a couple of months, the business had changed their strategic infrastructure to build one based on technology, free thinking and community

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involvement. With the introduction of their My Starbucks Idea initiative in 2008, the company has transformed the way they serve their customers and deliver new products and now continues to dominate their market globally.

Restructuring is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable, or better organized for its present needs. Organize differently. **Organizational Restructuring** is when a company's business model has changed due to internal or external factors and needs to adapt in order to survive and ultimately grow.

What are the reasons for restructuring?

Companies restructure for a variety of reasons:

- To reduce costs.
- To concentrate on key products or accounts.
- To incorporate new technology.
- To make better use of talent.
- To improve competitive advantage.
- To spin off a subsidiary company.
- To merge with another company.
- To decrease or consolidate debt.

Module II

Business Environment

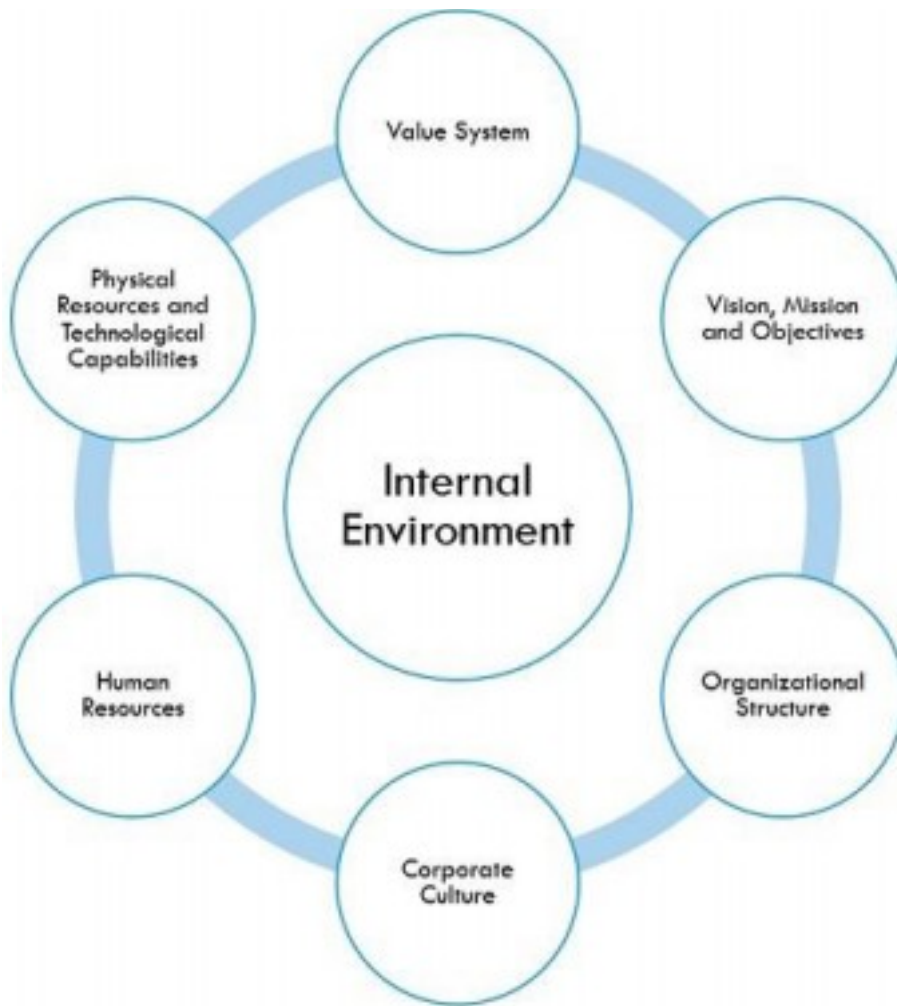
Introduction: Concept and Importance of Business environment, Inter-relationship between Business and

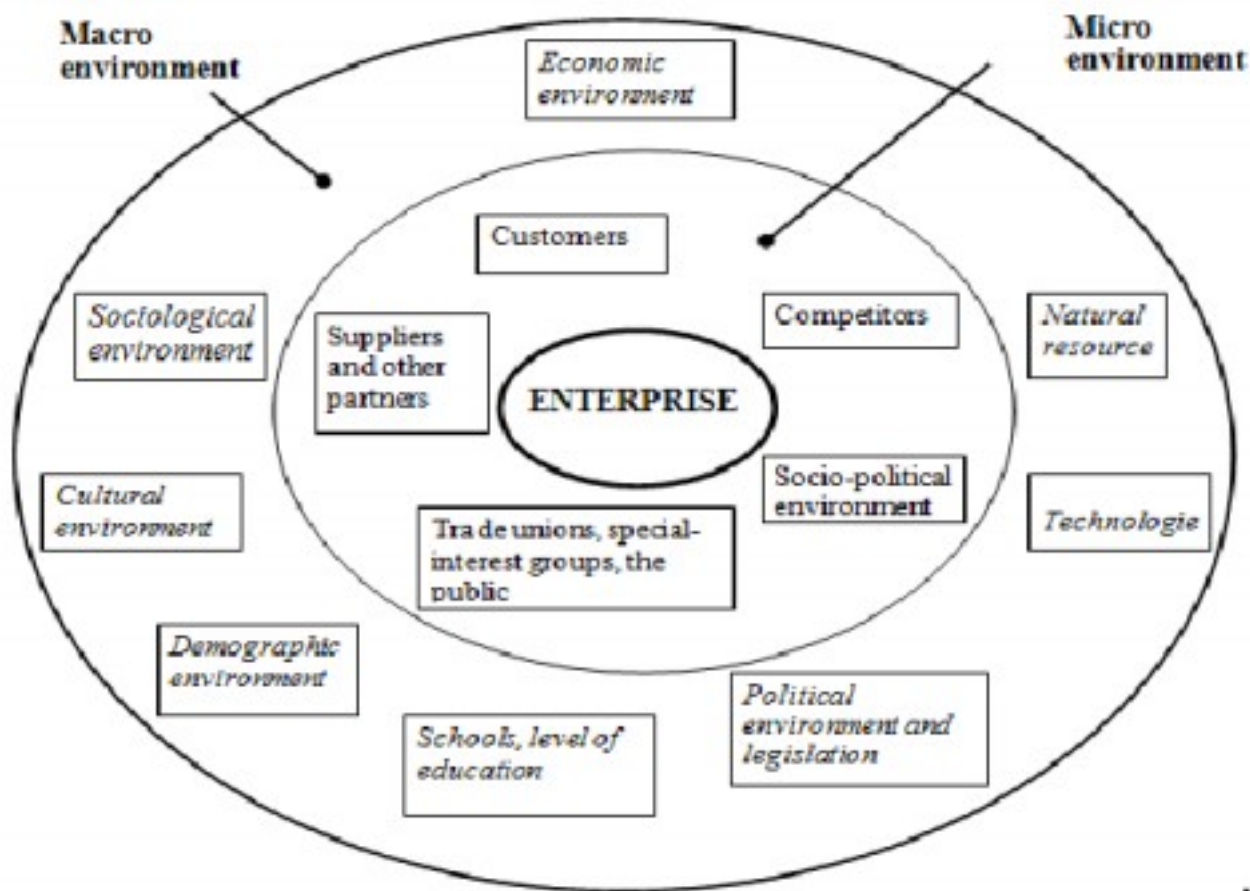
Environment. Educational Environment and its impact, International Environment-Current Trends in the World,

International Trading Environment-WTO and Trading Blocs and their impact on Indian Business.

Business environment refers to those aspects of the surroundings **business** enterprise, which affect or influence its operations and determine its effectiveness. According to Keith Davis, "**Business environment** is the aggregate of all conditions, events and influence that surrounds and affect it".

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The importance of the business environment can be neatly understood if we consider the following facts:

1. Enables to Identify Business Opportunities

All changes are not negative. If understood and evaluated them, they can be the reason for the success of a business. It is very necessary to identify a change and use it as a tool to solve the problems of the business or populous. For example, Mr. Phanindra Sama was troubled by the ticket booking condition in India. He used to travel a long distance to his travel agent to book his ticket but even after traveling this distance he was not sure if his seat was confirmed. He saw the opportunity to establish an app in the face of the problem and co-founded the online ticket booking app called 'redBus'.

2. Helps in Tapping Useful Resources:

Careful scanning of the Business Environment helps in tapping the useful resources required for the business. It helps the firm to track these resources and convert them into goods and [services](#).

3. Coping with Changes

The business must be aware of the on-going changes in the business environment, whether it be changes in customer requirements, emerging trends, new government policies, technological changes. If the business is aware of these regular changes then it can bring about a response to deal with those changes.

For example, when the Android OS market was blooming and the customers were preferring Android devices for its easy interface and apps, Nokia failed to cope with the change by not

implementing Android OS on Nokia devices. They failed to adapt and lost tremendous market value.

4. Assistance in Planning

This is another aspect of the importance of the business environment. Planning purely means *what is to be done in the future*. When the Business Environment presents a problem or an opportunity, it is up to the business to decide what plan would it have to come up with in order to address the future and solve the problem or utilise the opportunity. After analysing the changes presented, the business can incorporate plans to counteract the changes for a secure future.

5. Helps in Improving Performance

Enterprises that are thoroughly scanning their environment not only deal with the changes presented but also flourish with them. Adapting to the external forces help the business to improve the performance and survive in the market.

What is the relationship between business and environment?

Environment is closely related with **business**. There is a constant 'give and take' **relationship between environment and business**. The **business** receives inputs, information and technology from the **environment** and gives it back in the form of outputs (goods and services). Two forces help **shape the relationship between business and society** are our environment and technology. ... The state of the earth's resources and changing attitudes about the natural environment powerfully impact the **business- society relationship.**"

Internal Environment refers to all the inlying forces and conditions present within the company, which can affect the company's working. **External Environment** is a set of all the exogenous forces that have the potential to affect the organization's performance, profitability, and functionality.

Exchanging Resources

Apart from exchanging information, an organization and its environment also exchange resources. A firm needs inputs like finance, manpower, equipment, etc. from its environment. Typically, the resources required by an organization are categorized into 5 M's:

1. Men or Manpower
2. [Money](#)
3. Method
4. Machine
5. Material

An organization uses these inputs to produce goods or services or both. Acquisition of these inputs usually requires an interaction between the firm and the [markets](#). This interaction can be in the form of competition or collaboration. Nevertheless, the purpose is to ensure a constant supply of inputs.

On the other hand, the organization depends on its environment for the sale of its goods and [services](#). This process also requires interaction between the firm and its environment. Further, the firm must Perceive the needs of the environment and develop [products](#) or services to meet those needs. • Satisfy the [demands](#) and expectations of the clientele groups. These groups are: ○ Consumers

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- Employees
- Shareholders
- Creditors
- Suppliers
- Local Community
- The general public, etc.

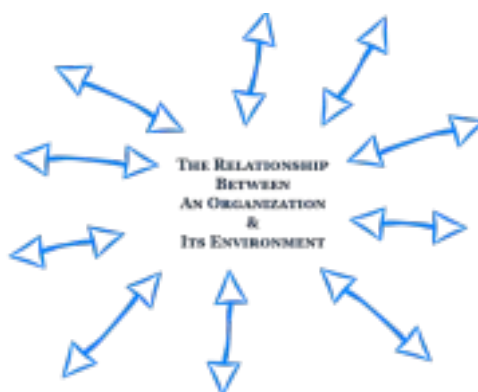
Exchanging Influence and Power

The third important interaction between an organization and its environment is the exchange of influence and power. By now, we understand that the external environment holds considerable power over a firm due to the following reasons:

- The business environment is inclusive
- It has a command over the resources, information, etc. which the firm requires
- It offers opportunities for growth on one hand and threats and constraints on the other

Hence, the environment can impose its will on the [organization](#). On the other hand, there are times and scenarios when an organization holds a position wherein it can wield considerable power and influence over some aspects of the external environment. This usually happens when the firm has command over resources and information.

An organization with a higher degree of power over its environment has more autonomy and freedom of action. Also, the firm can dictate terms to its environment and mold them to its will.



An Organization's Response to its Environment

In order for an organization to respond well to its environment, it must be able to monitor and make sense of its environment and have an internal capacity to develop effective responses. An organization's response to its environment can be of the following three types:

1. *Administrative*: These are either proactive or reactive responses to specific environments leading to forming or redefining the organization's purpose and key tasks.
2. *Competitive*: A change in the competitive environment can force an organization to respond with actions that can help it gain a competitive advantage over its rivals.
3. *Collective*: Many organizations cope with environmental dependence problems

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through strategic collective responses including methods like co-opting, bargaining, alliances, etc.

In the study of the relationship between an organization and its environment, we find that the three primary interactions between the two are the exchange of information, resources and influence, and power.

Constituents of Business Environment: Internal and External Environment,

The **internal environment** is company-specific and includes owners, workers, machines, materials etc. **Internal environmental** factors are events that occur within an organization. **External environmental** factors are events that take place outside of the organization and are harder to predict and control. The **external environment** is further divided into two **components**: micro & macro. The micro or the task **environment** is also specific to the **business** but **external**.

Business establishes, grows or operates and dies in environment. It exchanges resources in environment. It collects inputs i.e. Man money, materials, machines etc. And provides output i.e. Goods and services in the environment. Environment means surrounding. Business environment defines as a force that affects on organizational performance. It includes internal an eternal factors. It provides opportunities and threats.

1. Internal environment

It is defined as all the forces or conditions that are available within an environment that affects on organization and business. It is also known as controllable factors because business can control them. It includes

I. Employees

Business hires employees. It is the major internal factor. It works inside the business. It can be controlled by the business. Employees differ in skill, knowledge, morality, and attitude and so on. When managers and employees have difference in goals and beliefs then conflict may arise. The task of management is to divide the work and assign the work to the suitable employee and handle the conflict.

II. Shareholders:

Management deals with many shareholders. Shareholders have the right of ownership, power of management and voting right. The actual management of organization is carried out by elected representative of shareholders jointly known as boar of directors. Boards of directors have the responsibility of overseeing the management of organization. It plays the major role in formation of objectives, policies, strategies of the organization as well as their implementation.

III. Organization structure:

It is located inside the organization. The arrangement of various facilities, pattern of relationships among the various department, responsibility, authority and communication is the organization structure. It also included specialization and span of control.

IV. Organization culture:

The sets of values that help the members to understand what organization stand for how it does work, what it considers, cultural values of business forces of business and so on. It helps in direction of activities.

External environment (PEST)

All the forces and condition that cannot be controlled by the business is called external

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environment. It is also known as uncontrollable factors because business can't control them. It is located outside the business. It affects on organizational performance.

It includes:

I. Economic environment.

It indicates the condition of economy in which business organization operates. It has continuous and great impact on business. It includes national income, production, inflation, savings, investment, price, government activities. Business person must have constant watch on this factor.

II. Political or legal environment

It is defined as rules and regulations determined by the government. Business must fulfill demand of government. There should be non violation of rules and regulation of government. Business should avoid unfair trade and should provide essential information to the government.

III. Social environment.

Business must have good environment where a business can be established neatly. Business also helps in employment opportunities generation. There should be socio-cultural understanding and application of anti pollution measures.

IV. Technological environment:

It defines about the methods available for converting resources into product or services. It transforms inputs into output. Input means material, capital, man, machine. It affects on business. It helps to change the level of job, skill, and product and so on. There can be innovation, development of scientific techniques which encouraged mass production and distribution.

SWOT analysis is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning.

to know the areas in which your organization can improve and where it's doing well, both internally and externally? Use this SWOT analysis example to get a definitive answer on both fronts.

A SWOT analysis is a high-level strategic planning model that helps organizations identify where they're doing well and where they can improve, both from an internal and external perspective. It is an acronym for "Strengths, Weaknesses, Opportunities, and Threats."

You typically want to conduct a SWOT analysis at the beginning of your strategic planning process or during a strategy refresh. Your entire leadership team should be heavily involved, because they should have the ability to look across your organization and offer insight into your competitive environment and/or business landscape. When the leadership team offers appropriate recommendations regarding your strengths, weaknesses, opportunities, and threats, you will end up with a SWOT analysis that has the credibility to be used constructively in the strategic planning process.

A Detailed SWOT Analysis Example

To help you get started, we've created this SWOT analysis template. (The examples below are specific to a financial organization, but only for examples sake; the SWOT analysis exercise is applicable to all businesses!) You'll notice we divided our hypothetical examples for strengths, weaknesses, opportunities, and threats based on the [four Balanced Scorecard perspectives](#). You

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don't have to use the Balanced Scorecard to be successful with your SWOT analysis, but this method does provide a strong framework for your discussion.

Strengths

Start by asking the question, "What are we good at?" This is a broad question, but in the beginning stages of your discussion, you should accept all answers.

1. **Financial Strengths:** What is your most reliable source of financial growth? Is it your current customers? A particular product? Your service fee structure?
2. **Customer Strengths:** Where is your customer growth coming from? Is this coming from referrals, or a particular industry segment like healthcare or retail? Is it mainly retail or commercial? Why are your customers choosing you over your competitors?
3. **Internal Strengths:** What do you do very well as an organization? Are you the first to innovate products in your industry? Do you have strong customer relationships or partnerships?
4. **Learning & Growth Strengths:** Where do you excel insofar as your employees are concerned? Is it your compensation model? Could it be your workforce development program? Your culture?

[Take your strategy from a grand plan to the real deal with these free strategic planning templates.](#)

Weaknesses

Next you should ask yourself, "What are we *not* good at?" or "Where do we have opportunities to improve?"

1. **Financial Weaknesses:** What is your biggest financial weakness? Perhaps most of your customers are in a cyclical industry and subject to market whims, for example. Or maybe your most used product has the lowest profit margins.
2. **Customer Weaknesses:** Where do your customers think you need to improve? This could be your investment products, locations, loan origination, or competitive prices for interest rates.
3. **Internal Weaknesses:** What do you do poorly? Do you have opportunities to improve in project management for opening new branches? What about for one-touch call resolution for customer service?
4. **Learning & Growth Weaknesses:** What are your biggest challenges with employees? Do you have particularly high turnover in certain departments or a negative perception of the organizational culture?

[Using a Red Measures Dashboard gives you the ability to identify and tackle issues so you can reach your goals](#)

Opportunities

Following your discussion on threats, ask those in leadership to look toward the future and consider, "Where do we see big possibilities for our organization?"

1. **Financial Opportunities:** What is your biggest opportunity to improve your finances? This might be starting a new product line, increasing customer

- retention, or going after a new geographical area.
2. **Customer Opportunities:** Where could you dramatically improve with your customers? Could you improve your online interface? What about cross-selling related products, or better understanding your customers' purchasing habits?
 3. **Internal Opportunities:** What processes will drive you well into the future if you could improve upon them? This may entail partnering with a mortgage origination company or developing neighborhood sponsorships.
 4. **Learning & Growth Opportunities:** What opportunities do you have to leverage staff? For example, do you have cross-training opportunities? Could you make a few tweaks to improve your culture and thus your retention?

Threats

After identifying opportunities, zero in on your biggest threats by asking, "What do we see on the horizon as being potentially harmful to our organization?"

1. **Financial Threats:** What threats could seriously impact your financial health? This could be low cost competitors, a partner entering the banking space, or an overseas banking product.
2. **Customer Threats:** What is your biggest concern about your customers? Does one of your competitors offer zero-fee checking that could steal some of your market share? How simple is your customers' ease of departure?
3. **Internal Threats:** What current areas of your business might harm you later? Do you have a new product rollout soon that could potentially fail? Are you struggling through a merger or an office upgrade?
4. **Learning & Growth Threats:** What threatens the people within your organization? This could be anything from instability in your customer support department to staff member departures to a department-specific pushback against new technology.

	Helpful	Harmful
INTERNAL	Strengths	Weaknesses
EXTERNAL	Opportunities	Threats

As we mentioned in the introduction (and in our SWOT analysis example), your SWOT helps you identify strengths and weaknesses that are either helpful or harmful to your organization. As you can see from the SWOT matrix example above, strengths and weaknesses are *internal* to the organization, while opportunities and threats are of *external* origin. Strengths and opportunities

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are *helpful* to your organization's strategy, and weaknesses and threats are *harmful* to your organization's strategy.

Once you've completed the SWOT brainstorming process with your leadership, consolidate your results so you can see all the positive opportunities—and any negative trends—that could affect your strategy, and how you operate on the whole.

2. Start developing your strategy map.

As you may recall from [our previous article](#), a strategy map is a visual, one-page depiction of your strategy. Before you can begin developing your strategy map, you need to be certain you fully understand strategy mapping. ([Take a look at this strategy execution toolkit for more information.](#))

If you have asked the 16 questions posed in the SWOT analysis example above (specific to each of the Balanced Scorecard perspectives), then it should be relatively straightforward to filter by each perspective and come up with key objectives for that area. For example, does it seem as though you urgently need to make strategic adjustments to one particular area of your strategy? Do you need to address a failing new product launch before addressing market expansion opportunities? This will be the foundation of your strategy map.

As you're building your map, keep in mind there should be a natural alignment with your SWOT analysis. After all, you just took the time to analyze your organization and the opportunities and threats to the future of your business. Don't put all that work on a shelf to gather dust! Make sure there is a clear and strong link between your SWOT analysis and strategy map. For example, if you're a for-profit organization, your financial perspective will be the top priority—build your analysis into your map in a manner that drives those finances in the right direction. Maybe your SWOT analysis foretold an opportunity to hit a new line of business or forecast that a line of business would dry up. Your strategy map needs to reflect that. When you get to processes stage of strategy mapping, you can set activities based on your strengths and improvement needs. Your SWOT analysis will also affect target setting across all areas.

In short, your SWOT analysis isn't a standalone effort and should be closely linked to your strategy map—it should provide key information on how your strengths and weaknesses impact your strategy.

What are the constituents of **external macro** business environment?

Components of external macro Business Environment – Economic Environment, Technological Environment, Social Environment, Demographic Environment and a Few Others. The general **environment** of an organisation is made up of vital **components** such as **economic**, technological, social, demographic, political and legal and global forces. **External Factors Affecting Business Environment**

- Income. Income indicates a customer's ability to spend on the products sold by the marketer. ...
- Inflation. ...
- Recession. ...
- Interest Rate. ...

- Exchange Rate. ...
- Technologies for Nations. ...
- Technologies for Product and Services. ...
- Technologies for Business Models.

Economic Forces

The economic environment can have a major impact on businesses by affecting patterns of demand and supply. Companies need to keep a track of relevant economic indicators and monitor them over time.

Income

Income indicates a customer's ability to spend on the products sold by the marketer. The rise in the number of dual income families in several parts of the world, including urban world, has led to the rise in the incomes for such families. This has resulted in higher demand for lifestyle and luxury products.

However, marketers should be wary of making generalizations, as customer's propensity to spend depends on cultural factors as well. Such products, such as dishwashers, that are considered in necessities in Western markets, do not even fall into the consideration set of consumers.

Inflation

Inflation refers to an increase in prices without a corresponding increase in wages, resulting in lower purchasing power of consumers. When cost of production of products and services is low, they will be sold at lower prices. Inflation rate is higher when costs of producing products or services go up, or when there is too much money chasing too few supplies, prompting suppliers to raise prices and earn higher profits.

High inflation rate decreases real wages, i.e. the customer can buy less goods with his income because the goods have become costlier. Inflation will reduce the demand for several products because the customer will ration his income on goods. In inflationary times, customers stock items to save themselves from further increase in prices and abandon their favorite brands to buy more economical brands.

When costs of production go up, companies should try to withhold increasing prices for as long as possible. In the long run, companies will have to look for better methods of production and cheaper inputs so that cost of production can be brought down.

Recession

Recession is a period of economic activity when income, production, and employment tend to fall. Demand of products and services are reduced. During recession, companies should improve existing products and introduce new ones.

The idea is to reduce production hours, waste, and the cost of materials so that companies can offer products at lower prices. The most potent way to end a recession cycle is to make it attractive for customers to buy more.

In recession, business buyers will postpone the purchase of new equipments and materials because

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they do not know if there will be demand for their products and services. Sellers should be willing to extend credit to buyers to get over their reluctance to purchase. Sales of replacement parts and other services may become an important source of income.

Companies should emphasize their top-of-the-line products and promote product value. Customers with less to spend will look for demonstrated quality, durability, and capability to save time and money. High priced, high value items do well during recession.

Companies should understand that though there are specific causes that trigger recession. It is perpetuated because consumers and businesses become uncertain about future and are reluctant and scared to buy. Once consumers start buying, businesses will start buying automatically. Therefore companies selling to consumers should generate confidence in the consumers by offering them high quality products and services at reasonable prices and also extend credit to them.

Interest Rate

If interest rate of an economy is high, businesses will borrow capital at a higher rate and they will set up new businesses only when they are convinced that they can earn at a rate higher than the interest rate they are paying on the capital. Even in existing businesses operating costs would go up as their working capital requirements will attract higher interest rates.

Therefore companies will be able to produce products and services at higher costs and will perform sell them at higher prices. There will be inflationary tendencies if interest rates are higher for long periods. Consumers will have strong tendencies to save because of the prospect of earning higher interest rates from their deposits. High interest rates have detrimental effects on the economy.

Exchange Rate

Exchange rate becomes a very important driver of performance when a company exports its products and when it imports materials and components for making its products. It is more profitable to export when the currency of the exporting country is weaker than the currency of the importing country.

But this advantage is nullified if materials and components are imported from a country whose currency is stronger. A company will run its most profitable operations when it exports its product to a country whose currency is stronger, and imports material and components from a country whose currency is weaker.

Technological Factors

New technologies can be used very effectively to counter inflation and recession. New machines can reduce production costs. Advances in information technology have made it possible to plan global supply chains, enabling companies to make better products at lesser cost and distribute them economically.

Technologies for Nations

Economies which are well off should concentrate more on basic research because they can remain ahead of other economies only by creating new businesses through inventing new technologies.

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They should be ready to relinquish businesses they are currently excelling in, because other economies will catch up with them and developed economies will not be able to charge premium prices for their products and services.

Technologies for Product and Services

New products and services are possible because of new technologies. These help to increase revenues and profits of companies. At different times in history, technologies have created new businesses like automobile, railways, telephones, computers, etc.

Technologies for Business Models

Companies also use new technologies to do business differently and more effectively. For instance, by using the Internet, Dell is able to earn greater profits by serving only the most profitable customers. Companies in fragrance and other business have equipped their customers with design tools so they design their own products and services. Some companies have used the power of the Internet to create virtual design teams. There are a lot of other ways in which technologies like the Internet are impacting businesses.

Socio-Cultural Factors

Social factors influence the products people buy, the prices they are willing to pay, the effectiveness of specific promotions, and how, where, and when people purchase products. But societies are hardly ever static. They change gradually and some changes will be imperceptible if not watched closely. Social change is the most difficult variable for marketing managers to forecast, influence and integrate into marketing plans.

Values

A value is a strongly held and enduring belief. The majority of people living in a society uphold the values of the society. A person's values are key determinants of what is important and not important to him, how he reacts in a particular situation, and how he behaves in social situations.

Values affect the goods that a customer buys and the ways he buys them. Organizations are trying hard to become customer oriented. Nowadays, customers do not tolerate ineffective products and sloppy behavior of marketers. Customers have become inquisitive, discriminating, and demanding. Companies should learn to expect tough customers.

Time-starved Customers

Today, many customers place value on non-material accomplishments, such as having control over their lives, and being able to take a day off when they want. As work-life gets longer and more stressful, people are spending their leisure time recuperating. People will increasingly place more value on time than money.

Multiple Lifestyles

Today, people lead multiple lifestyles. They choose products and services that meet diverse needs and interests rather than conform to traditional stereotypes. In the past, a person's profession defined his lifestyle. Today, a person can be a teacher and also a gourmet, fitness enthusiast, and so many other things. Each of these lifestyles is associated with different products and services and is a potential customer for companies.

Multiple lifestyles increase the complexity of consumers' buying habits. A person may go on holidays to exotic holiday locations and may spend a fortune to travel, but may dine in very ordinary restaurants. He may buy fast food for lunch but may wear the most expensive suits.

Changing Structures of Families

Multiple lifestyles have evolved because people can choose from a growing number of products and services, and most have the money to exercise more options. The growth of dual-income families has resulted in increased purchasing power. The phenomenon of working women has had greater effect on marketing strategies and initiatives of companies than any other social change. As working women's earnings grow, so do their expertise, experience, and authority.

Demographic Factors

Demography is the study of people in terms of their age, gender, race, ethnicity, and location. Demographics are significant because people constitute markets. Demographic characteristics strongly affect buyer behavior. Fast growth of population accompanied with rising income means expanding markets. A longer life span means a growing market for products and services targeted for the elderly.

Adolescents

The new-age teens are a marketers' delight. They do not earn but they are fond of spending, and most of them have their own budgets. They spend lavishly on clothes, eating out, going out, latest gadgets, and are very keen to keep up with their friends in terms of possessions and lifestyles. They do not feel guilty of spending their parents' money and put real pressure on their parents to shell out money for them.

They will put their parents in financial inconvenience but they will have their motorbikes and fanciful mobiles, and will hang out at eating joints, theaters, and malls. They are stylish and fashion conscious, and submit to peer pressure. They will latch on to the next hot item. They feel they need to have a life of their own, and it should not be denied to them just because they are not earning.

Youth

The current youngsters are growing in a more media-influenced, brand-conscious world than their parents. They respond to advertisements differently and prefer to encounter those advertisements in different places. Companies have to take their messages to the places where these youngsters frequent, whether on the Internet, in a cricket stadium, or television. The advertisements may be comical or may be disarmingly direct.

But the advertisements should never suggest that the advertiser knows these youngsters better than they know themselves. These youngsters know what they want from their lives and the products and services they buy. They do not mind information reaching them but they will reserve their right to make their choices. They hate to be persuaded and influenced. Companies would do well to leave them alone to make their decisions.

People between 35 to 45

People in the age group of 35 to 45 years are settled in their professions and have toddlers and growing children at home. They exert themselves in their profession because they realize that their career is likely to take off at this stage. They put in long hours at office and they have to juggle endlessly between their responsibilities as spouses and parents, and growing responsibilities at work. They may also have old parents to look after. Parents may be staying with them or they may be living in different cities.

People between 45 and 60

Some people in this age group are at the peak of their careers while some others are struggling to keep their jobs. Children become a major priority for people in this age group. Children are ready to go to colleges and professional schools, and some of these people are willing to make sacrifices in their careers to avoid unsettling their children. People in this age group spend less as they save resources to fund the higher education of their children.

People above 60

People in this age group live on a steady income. Some of them live with their grown-up children and are part of their household. They contribute to the requirement of the joint household and do not spend much on themselves. The family looks after their requirements. Most of their money is spent on buying gifts for their children and grandchildren. But quite a few of these people live alone, and are visited by their children infrequently.

Political Legal Environment

The political-legal environment of a country is influenced by political structures and organizations, political stability, government's intervention, constitutional provisions, government's attitude, foreign policy, etc. The viability of businesses depends upon their ability to understand the laws of the land and to abide by them, while not becoming less innovative in their marketing endeavors due to fear of their infringing some laws.

Natural Environment

Natural environment includes factors such as seasonal variations, climatic differences, soil conditions and natural terrain.

In consumer markets, the natural environment affects companies because of the differences in the nature of products bought by consumers due to variations in seasons and climate. For instance, products such as apparel and food get affected due to these factors.

In difficult terrains like hilly areas, it is difficult and expensive to get products to the customers.

It becomes more expensive to build distribution channels for companies whose target markets are

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geographically disperse. This increases the price of the product for the customer.

Soil conditions influences the nature of the agricultural produce in a country. This affects the type of agricultural implements that must be manufactured and marketed.

EDUCATIONAL ENVIRONMENT

A country's economy becomes more productive as the proportion of educated workers increases since educated workers can more efficiently carry out tasks that require literacy and critical thinking. However, obtaining a higher level of education also carries a cost. What is more important, business education provides real-world experience and prepares students for grown-up life and independence. It teaches how to earn money in any life situation. By attending business classes, students can realize their true calling.

What factors influence education?

These factors include geographical, economic, social, cultural, historical, religions, political, language and technological.

In general, education—as a critical component of a country's human capital—increases the efficiency of each individual worker and helps economies to move up the value chain beyond manual tasks or simple production processes. Education is a leading determinant of economic growth, employment, and earnings.

Education enriches people's understanding of themselves and world. It improves the quality of their lives and leads to broad social benefits to individuals and society. ... In addition it plays a very crucial role in securing economic and social progress and improving income distribution. Business Studies helps you to make more informed decisions in the everyday business of living. It gives you a better understanding of the world of work. It encourages you to think about how and why people start up in business and why you too might also consider starting a business.

Impact of Education On Business Growth: If Work Stops Values Decay-Our economy is supported by small businesses. Running a business is a wonderful thing. It gives you the chance to do what you've always dreamed of. To make a living from doing something that you love. To make money from a hobby or something that you feel passionate about. To employ others. To work flexibly and to create the life that you truly want. More people than ever are starting their own businesses, or working from home as sole-traders, and it's easy to see the appeal. But, it's also hard. Starting your own business can be terrifying. It's a huge leap. Especially if you've always been an employee or you are moving into a new industry. There's a lot to learn, it's always a risk, and you can face a very steep learning curve.

Unfortunately, many new businesses fail. One reason for this can be satisfaction. People tackle that steep learning curve. They have a tough year getting things going, and then they get satisfied. Their businesses do well, they think they've learned all that they need to, and they get caught out. Because in business, never stop learning. Education and knowledge are vital to business success. Here's why.

You'll Save Money: Big businesses outsource or hire in-house staff to tackle everything. They've got accountants, marketing teams, HR departments, recruitment teams and more. They've got every expert that they need at their disposal. This isn't true of new start-ups. You might not be able to afford to hire help for everything. In the beginning, you might be faced with having to do most things yourself. This can be tough. So, don't just learn about your business model. Learn about business. Compare CA exam review courses and take accountancy courses. Learn about marketing and recruitment. Study employment law. Learn how to create financial forecasts and

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how to manage staff. Learning everything that you can about the business world and you'll save a fortune, by being able to do more for yourself.

Networking :Another massive benefit of education is the networking opportunities that it can afford you. You'll meet people in your industry, make new connections with people with similar interests, and meet people looking to gain experience and knowledge. You never know when these connections could prove useful to your business.

To Make Informed Decisions: A lot of decisions need to be made when you set up a business. These range from location, to logo design, to how to sell your products. You'll have to make decisions every day. In the beginning, some of these don't seem to matter too much. As a small business, it's essential to make your mark, but it's also not too difficult to change things later on when you are more established. Then, as you grow, the decisions that you need to make become more important, and more permanent. They also become more serious. You might not have to worry about colour schemes anymore, but you will have to make serious decisions that affect the growth and development of your company. Sometimes, they'll be make or break. If you want to be able to make the right ones, it's essential that you are knowledgeable, and that your knowledge is up to date.

To Stay Up to Date : The marketplace doesn't sit still. Things develop and change. The knowledge that you had when you started up might no longer be relevant or correct. Things are changing all of the time. New technology is developed. Advancements are made, and the marketplace can change massively in a relatively short space of time. If you don't keep learning, you can very quickly fall behind.

To Keep Ahead of the Curve: At some point, you might find yourself hiring a recent graduate, who knows a lot more than you do. While their knowledge is excellent, and an asset to your company, to be a great manager and business owner, you need to be at the very top of your game. If your own staff know more than you do, the competition does too.

To Be Obedient : As a business owner, the law is something that you need to consider at all times. Failure to understand it can lead to you accidentally breaking it. Not understanding taxation laws or requirements, failing to appreciate the importance of health and safety, risk assessments, food hygiene and employment laws could see you making foolish mistakes that get you into trouble. Learning and advancing your knowledge in these areas can ensure you are protected and legally compliant at all times and in all areas.

International Environment-Current Trends in the World:

What are the recent trends in international business? a general development or change in a situation that affects many countries of the world: The growth of the bank's wealth management business is part of a global trend. International markets are evolving rapidly, and you can take advantage of the changing environment to create a niche for your company.

- Growing Emerging Markets. ...
- Population and Demographic Shifts. ...
- Speed of Innovation. ...
- More Informed Buyers. ...
- Increased Business Competition. ...
- Slower Economic Growth. ...
- Emergence of Clean Technology.

As the economy grows slowly at home, your business may have to look at selling internationally to remain profitable. Before examining foreign markets, you have to be aware of the major trends in international business so you can take advantage of those that might favor your company. International markets are evolving rapidly, and you can take advantage of the changing environment to create a niche for your company. Developing countries will see the highest economic growth as they come closer to the standards of living of the developed world. If you want your business to grow rapidly, consider selling into one of these emerging markets. Language, financial stability, economic system and local cultural factors can influence which markets you should favour.

Population and Demographic Shifts: The population of the industrialized world is aging while many developing countries still have very youthful populations. Businesses catering to well-off pensioners can profit from a focus on developed countries, while those targeting young families, mothers and children can look in Latin America, Africa and the Far East for growth.

Speed of Innovation : The pace of innovation is increasing as many new companies develop new products and improved versions of traditional items. Western companies no longer can expect to be automatically at the forefront of technical development, and this trend will intensify as more businesses in developing countries acquire the expertise to innovate successfully.

More Informed Buyers: More intense and more rapid communications allow customers everywhere to purchase products made anywhere around the globe and to access information about what to buy. As pricing and quality information become available across all markets, businesses will lose pricing power, especially the power to set different prices in different markets.

Increased Business Competition: As more businesses enter international markets, Western companies will see increased competition. Because companies based in developing markets often have lower labour costs, the challenge for Western firms is to keep ahead with faster and more effective innovation as well as a high degree of automation.

Slower Economic Growth: The motor of rapid growth has been the Western economies and the largest of the emerging markets, such as China and Brazil. Western economies are stagnating, and emerging market growth has slowed, so economic growth over the next several years will be

slower. International businesses must plan for profitability in the face of more slowly growing demand.

Emergence of Clean Technology: Environmental factors are already a major influence in the West and will become more so worldwide. Businesses must take into account the environmental impact of their normal operations. They can try to market environmentally friendly technologies internationally. The advantage of this market is that it is expected to grow more rapidly than the overall economy.

2.3 International Trading Environment -The environment of International trade is regarded as the sum total of all the external forces working upon the firm as it goes about its affairs in foreign and domestic markets. The foreign environment can be taken as those factors, which operate in those other countries within which the MNC operates. The form of international movements of goods- and services, labour, business enterprise, investment funds, and technology. In truth, national economic policies cannot be formulated without evaluating their probable impacts on the economies of other countries. There are three types of international trade: Export Trade, Import Trade and Entrepot Trade.

WTO and Trading Blocs and their impact on Indian Business.

A trade bloc is a type of intergovernmental agreement, often part of a regional intergovernmental organization, where barriers to trade (tariffs and others) are reduced or eliminated among the participating states.

Trade blocs can be stand-alone agreements between several states (such as the North American Free Trade Agreement) or part of a regional organization (such as the European Union). Depending on the level of economic integration, trade blocs can be classified as preferential trading areas, free-trade areas, customs unions, common markets, or economic and monetary unions.

Trading blocs are usually groups of countries in specific regions that **manage and promote trade activities**. Trading blocs lead to **trade liberalisation** (the freeing of trade from protectionist measures) and **trade creation** between members, since they are treated favourably in comparison to non-members.

The World Trade Organisation (WTO) permits the existence of trading blocs, provided that they **result in lower protection** against outside countries than existed before the creation of the trading bloc. Trade diversion is a feature of a country deciding to join a customs union i.e. an area where there is free trade within the customs union but also a common external tariff.

When a country joins a customs union it might initially be trading freely with a low cost supplier in a 3rd party nation.

Once inside a customs union, the country must now adopt a common external tariff which will then increase the cost of importing from the 3rd party nation.

These higher prices might affect consumers directly e.g. higher prices for food.

Or they might affect consumers indirectly because producers now have to pay more for their imports from the 3rd party.

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The most significant trading blocs currently are:

European Union (EU) – a customs union, a single market and now with a single currency
European Free Trade Area (EFTA)

North American Free Trade Agreement (NAFTA) between the USA, Canada and Mexico

Mercosur - a customs union between Brazil, Argentina, Uruguay, Paraguay and

Venezuela
Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA)

Common Market of Eastern and Southern Africa (COMESA)

South Asian Free Trade Area (SAFTA) created in 2006 with countries such as India and

Pakistan
Pacific Alliance – 2013 – a regional trade agreement between Chile, Colombia, Mexico and Peru
Advantages

- **Competition:** Trade blocs force the manufacturers in participating countries to compete with each other. Increased competition creates pressures for greater efficiency within firms, which results in lower prices for consumers. Home producers have to work with greater efficiency to ensure survival of their goods against the low price imported goods since tariffs are removed. Overseas producers tend to increase their production of goods as they realize that the low price goods that they produce have a better chance of competing with home-produced goods in the market.
- **Economies of scale:** The larger markets created by trade blocs permit companies to take advantage of economies of scale. Since the average cost of each good produced tends to fall as production increases, this results in lower prices for consumers.
- **Improved Market Efficiency:** Increased competition and the removal of tariffs, which may act as a price floor, drive down prices and allow for increased consumption. This reduces deadweight loss and hence improves market efficiency.
- **Increased foreign direct investment:** An increase in foreign direct investment may result from the creation of trade blocs. This can benefit the economies of participating nations by creating jobs in new or expanded businesses.
- **Trade Effects:** Trade blocs eliminate tariffs, which drives down the cost of imports. As a result, consumers can save money by buying imported goods when cheaper than locally produced ones—they can then spend those savings on other goods. Reducing the cost of imports also reduces the cost of locally produced goods that use imported parts or components.

Disadvantages

- **Concessions:** No country wants to let foreign firms gain domestic market share at the expense of local companies without getting something in return. Any country that wants to join a trading bloc must be prepared to make concessions. For example, in trading blocs that involve developed and developing countries, such as bilateral agreements between the U.S. or the EU and relatively poor Asian, Latin American or African countries, the latter

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may have to allow multinational corporations to enter their home markets, hurting the business of some local firms.

- **Interdependence:** Because trading blocs increase trade among participating countries, those countries become increasingly dependent on each other. A disruption of trade within a trading bloc as a result of a natural disaster, conflict or revolution may have severe consequences for the economies of all participating countries.
- **Loss of Sovereignty:** A trading bloc, particularly when it is coupled with a political goal, is likely to lead to at least partial loss of sovereignty for its participants. For example, the European Union, started as a trading bloc in 1957 by the Treaty of Rome, has transformed itself into a far-reaching political organization that deals not only with trade matters, but also with human rights, consumer protection, greenhouse gas emissions and other issues which are only marginally related.
- **Regionalism vs. Multinationalism:** Trading blocs inherently favor their participating countries. For example, among NAFTA partners, the United States, Canada and Mexico, trade has risen to more than 80 percent of Mexican and Canadian trade and more than a third of U.S. trade, according to a 2009 report by the Council on Foreign Relations. However, regional economies establish tariffs and quotas that protect intra-regional trade from outside forces, according to the University of California Atlas of Global Inequality. Rather than pursuing a global trading regime within the World Trade Organization, which includes the majority of the world's countries, regional trade bloc countries contribute to regionalism rather than global integration.

WTO- The World Trade Organization (WTO) is an intergovernmental organization that is concerned with the regulation of international trade between nations. The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 123 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. It is the largest international economic organization in the world.

The WTO deals with regulation of trade in goods, services and intellectual property between participating countries by providing a framework for negotiating trade agreements and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member governments^{[7]:fol.9–10} and ratified by their parliaments.^[8] The WTO prohibits discrimination between trading partners, but provides exceptions for environmental protection, national security, and other important goals.^[9] Trade-related disputes are resolved by independent judges at the WTO through a dispute resolution process.

The important objectives of WTO are:

1. To improve the standard of living of people in the member countries.
2. To ensure full employment and broad increase in effective demand.
3. To enlarge production and trade of goods.
4. To increase the trade of services.
5. To ensure optimum utilization of world resources.
6. To protect the environment.

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7. To accept the concept of sustainable development.

The main functions of the WTO are:

- Administering **WTO** trade agreements.
- Providing forum for trade negotiations.
- Handling trade disputes.
- Monitoring Members' trade policies.
- Providing technical assistance and training to developing and least developed economies.
- Cooperating with other international organizations.

WTO Agreements:

The WTO's rule and the agreements are the result of negotiations between the members. The current sets were the outcome to the 1986-93 Uruguay Round negotiations which included a major revision of the original General Agreement on Tariffs and Trade (GATT).

GATT is now the WTO's principal rule-book for trade in goods. The Uruguay Round also created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement and trade policy reviews.

The complete set runs to some 30,000 pages consisting of about 30 agreements and separate commitments (called schedules) made by individual members in specific areas such as, lower customs duty rates and services market-opening.

Through these agreements, WTO members operate a non-discriminatory trading system that spells out their rights and their obligations. Each country receives guarantees that its exports will be treated fairly and consistently in other countries' markets. Each country promises to do the same for imports into its own market. The system also gives developing countries some flexibility in implementing their commitments.

(a) Goods:

It all began with trade in goods. From 1947 to 1994, GATT was the forum for negotiating lower customs duty rates and other trade barriers; the text of the General Agreement spelt out important rules, particularly non-discriminations since 1995, the updated GATT has become the WTO's umbrella agreement for trade in goods.

It has annexes dealing with specific sectors such as, agriculture and textiles and with specific issues such as, state trading, product standards, subsidies and action taken against dumping.

(b) Services:

Banks, insurance firms, telecommunication companies, tour operators, hotel chains and transport companies looking to do business abroad can now enjoy the same principles of free and fair that originally only applied to trade in goods.

These principles appear in the new General Agreement on Trade in Services (GATS). WTO members have also made individual commitments under GATS stating which of their services sectors, they are willing to open for foreign competition and how open those markets are.

(c) Intellectual Property:

The WTO's intellectual property agreement amounts to rules for trade and investment in ideas and creativity. The rules state how copyrights, patents, trademarks, geographical names used to identify products, industrial designs, integrated circuit layout designs and undisclosed information such as trade secrets "intellectual property" should be protected when trade is involved.

(d) Dispute Settlement:

The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore, for ensuring that trade flows smoothly.

Countries bring disputes to the WTO if they think their rights under the agreements are being infringed. Judgments by specially appointed independent experts are based on interpretations of the agreements and individual countries' commitments.

The system encourages countries to settle their differences through consultation. Failing that, they can follow a carefully mapped out, stage-by-stage procedure that includes the possibility of the ruling by a panel of experts and the chance to appeal the ruling on legal grounds.

(e) Policy Review:

The Trade Policy Review Mechanism's purpose is to improve transparency, to create a greater understanding of the policies that countries are adopting and to assess their impact. Many members also see the reviews as constructive feedback on their policies.

Unit 3- Business Planning Process- A **business plan** is a written document that describes in detail how a **business**—usually a new one—is going to achieve its goals. A **business plan** lays out a written **plan** from a marketing, financial and operational viewpoint. ... Although they're especially useful for new companies, every company should have a **business plan**.

5 key steps in developing your business plan.

1. Research

Detailed research into the industry, customers, competitors, and costs of the business begins the process. A variety of resources can be used for research, ranging from databases and articles to direct interviews with other entrepreneurs or potential customers. Research should be documented and organized carefully with the information gathered and the source as there is a need to cite sources within the plan.

2. Strategize

Next, the information from the research should inform the strategy you choose for your business. Revisit the strategy you created even before your research and dig deeper into decisions on appropriate marketing, operations, and hiring for the first five years of the company's life. Strategy generally pulls from the best practices of the industry, but uses this only as a foundation

on which to add very different activities that create a competitive advantage.

3. Calculate

All of the activities you choose for your strategy come at some cost and (hopefully) lead to some revenues. Sketch out the financial situation by looking at whether you can expect revenues to cover all costs and leave room for profit in the long run. Begin to insert your financial assumptions and startup costs into a financial model which can produce a first year cash flow statement for you, giving you the best sense of the cash you will need on hand to fund your early operations.

4. Draft

With financials more or less settled and a strategy decided, it is time to draft through the narrative of the plan's many sections. With the background work you have completed, the drafting itself should be a relatively painless process. If you have trouble creating convincing prose, this is a time to seek the help of a business plan writer who can put together the plan from this point.

BUSINESS PLAN

5. Re-

A Business Plan is a blueprint of the step by step procedure that would be followed in order to convert a business idea into a successful business venture. It involves the following tasks –

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- Identifying business opportunities and an innovative idea
- Researching the external environment for opportunities and threats
- Identifying internal strengths and weaknesses
- Assessing the feasibility of that idea and
- Allocating resources in the best possible manner

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Objectives of a Business Plan

- To give direction to the vision of Entrepreneur
- To objectively evaluate the future prospects of the business
- To monitor the progress after implementation of the plan
- To seek loans from Financial Institutions
- To facilitate the decision making process
- To persuade others to join the business

challenges in terms of opportunities and threats to assess the viability of the business. It involves all the necessary steps that are involved in initiating and operating a proposed business. A business plan involves the following steps :-



(I) Preliminary Investigation – In order to create an effective plan an entrepreneur must –

- Review available business plans
- Draw key business assumptions on which plan is based
- Scan the environment for Strengths, Weaknesses, Opportunities and Threats
- Seek professional advice
- Conduct a functional audit

(II) Idea Generation – It involves generation of a new concept/product/service or value addition to an existing Product or Service. The idea must be such that satisfies the existing demands and future demands of market.

Sources of ideas –

- Consumers
- Existing companies
- Research & Development
- employees
- Dealers/Retailers

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- Value addition to existing Product and Service
- Market research
- Import of ideas from products launched abroad
- Commercializing inventions

Screening of ideas is done to identify practical ones and eliminate impractical one. The most feasible and the most promising idea is selected for further investigation.

(III) Environment Scanning – The internal and external environment must be analysed to study the prospective strengths, weaknesses, opportunities and threats of the business. An entrepreneur must collect information from all formal and informal sources in order to understand the supportive and obstructive factors related to the business enterprise.

External Environment –

- Socio cultural appraisal – It involves assessment of the values, beliefs and norms of a particular society in order to understand their perception towards a particular idea or product.

External Environment –

Socio cultural appraisal – It involves assessment of the values, beliefs and norms of a particular society in order to understand their perception towards a particular idea or product.

Technological appraisal – It involves assessment of existing technical know-how and availability of technology necessary to convert an idea into a product.

- Economic appraisal – It assess the economic environment in terms consumer price index, inflation, balance of payments, consumption pattern, per capita income etc.
- Demographic – It involves an assessment of the overall population pattern of a particular region. Variables like age, education, income pattern, sex, occupation, distribution etc. help in identifying the size of target market.

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- Availability of Raw materials
- Availability of various machines, tools and equipment required for production
- Means of Finance and assessment of opening, maintaining and operating expenses
- Assessment of Present, Potential and Future market
- Assessment of cost, quantity and quality of human resources required

(IV) Feasibility analysis – Feasibility analysis is done to find out whether the proposed project will be feasible or not. The various variables that are studied include –

(a) Market Analysis – It is conducted to –

- Estimate the demand of the proposed product in the future
- Estimate the market share of the proposed product in the future

(b) Technical or operational analysis – It is conducted to assess the operational ability of the proposed business. It is very important to find out the cost and availability of technology. Under Technical analysis data is collected on following parameters –

Significance of Business Plan: Arguments are made for and against writing a business plan. The argument advanced against writing business plan is that it involves costs especially when some outside consultant or accountant or lawyer is hired to write the business plan. One of the reasons for not writing business plan is the fear of prematurely closing off the new venture.

The major argument made in favour of writing business plan is reducing anxieties and tensions in running business enterprise. Writing business plan is especially useful for the entrepreneurs who require financial help from the outside sources like banks and financial institutions.

The reason is that the outside sources advance funds to entrepreneurs based on the soundness of their enterprises as reflected in business plans. In nutshell, writing a business plan is not without its costs and sacrifices, nonetheless the benefits of it outweigh its costs.

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An objective without a plan is just a dream. Until committed to papers intentions are seeds without soil, sails without winds or mere wishes which do not lead to execution and without execution there is no payoff. The preparation of a business plan or project report is of great significance for an entrepreneur.

The business plan serves the two essential functions: First and most important the business plan is like a road map. It describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there. It also enables an entrepreneur to know that he is proceeding in the right direction. Some hold the view that without well spelled out goals and operational methods/tactics, most businesses flounder on the rocks of hard times.

The second function of the business plan is to attract lenders and investors. Although, it is not mandatory for the small enterprises to prepare business plans, yet it is useful and beneficial for them to prepare the project reports for various reasons. The preparation of business plan is beneficial for those small enterprises which apply for financial assistance from the financial institutions and the commercial banks. It is on the basis of business plan or project report that the financial institutions make appraisal if the enterprise requires financial assistance or not.

If yes, how much. Similarly, other organisations which provide various assistances such as work shed, raw material, seed/margin money, etc. are also equally interested in knowing the economic soundness of the proposal. In most cases, the quality of the firm's business plan weighs heavily in the decision to lend or invest funds.

Research evidence reveals that many firms, of course, start without business plans. Speaking alternatively, their implementation stage starts with no plan, i.e. guide-map. But, most of these firms realize eventually in the hard rocks, of business environment that they need to recreate their beginnings and write their business plans at some point down the road.

The fact of the matter is that in today's highly uncertain and competitive business environment, only the most reluctant entrepreneur with the simplest business concept avoids writing a business plan (Carter, Gartner and Reynolds 1995). The very significance of business plan can be expressed as "if an entrepreneur fails to write business plan, he plans to fail in his/her business."

Project Report

A Project Report is a document which provides details on the overall picture of the proposed business. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.

Project reports are valuable tools to both project teams and stakeholders. It provides several benefits. Through these reports, all those involved are able to track the current progress of the project and compare it against the original plan. They can identify risks early on, and take corrective action.

What Is an Abstract in Project Report?

An abstract in a project report is a brief [executive summary](#) of the project designed to provide an overview of its purpose and to understand its objective. The length of a report would depend on the gravity of its subject and the period it covers ([annual report](#), monthly, or weekly report). The abstract in the project report explains in the simplest and comprehensible way what the project is.

Format for Preparation of Project Report

There are certain structures when writing a report, whether it be an annual or [monthly report](#). The following is the format for preparing a project report.

- **Objective.** Understand the goal and objective of the project. You need to know why the project is important so that you can properly put forth your thoughts.
- **Research.** Immerse yourself into the project to know more about it. Talk to the project managers and ask about any challenges and improvements.
- **Outline.** You need to design a blueprint for your project report. Start with an introduction, follow it up with your main points, and lastly your evaluations and recommendations.

What are the Key Components of a Project

Report? Following are the key components of a project status report:

- Summary of the project
- Project milestones and timelines
- Target vs. Actual accomplishments
- Project analysis and action(s) taken
- Risks and issues
- Resources, budget, and schedule.

What are the Uses of Project Reports?

Following are the uses of a project report:

- To keep an updated flow of project's information
- To immediately address issues and concerns
- To record reasons for adjustments made to the original project plan
- To monitor fund utilization
- To keep a tab on the team's performance.

Feasibility study types and its importance.

What is a Feasibility Study?

As the name implies, a feasibility analysis is used to determine the viability of an idea, such as ensuring a project is legally and technically feasible as well as economically justifiable. It tells us whether a project is worth the investment—in some cases, a project may not be doable. There can be many reasons for this, including requiring too many resources, which not only prevents those resources from performing other tasks but also may cost more than an organization would earn back by taking on a project that isn't profitable.

An **analysis** and evaluation of a proposed project to determine if it (1) is technically **feasible**, (2) is **feasible** within the estimated cost, and (3) will be

profitable. **Feasibility studies** are almost always conducted where large sums are at stake. Also called **feasibility analysis**.

Types of Feasibility Study

A feasibility analysis evaluates the project's potential for success; therefore, perceived objectivity is an essential factor in the credibility of the study for potential investors and lending institutions. There are five types of feasibility study—separate areas that a feasibility study examines, described below.

1. Technical Feasibility

This assessment focuses on the technical resources available to the organization. It helps organizations determine whether the technical resources meet capacity and whether the technical team is capable of converting the ideas into working systems. Technical feasibility also involves the evaluation of the hardware, software, and other technical requirements of the proposed system. As an exaggerated example, an organization wouldn't want to try to put Star Trek's transporters in their building—currently, this project is not technically feasible.

2. Economic Feasibility

This assessment typically involves a cost/ benefits analysis of the project, helping organizations determine the viability, cost, and benefits associated with a project before financial resources are allocated. It also serves as an independent project assessment and enhances project credibility— helping decision-makers determine the positive economic benefits to the organization that the proposed project will provide.

3. Legal Feasibility

This assessment investigates whether any aspect of the proposed project conflicts with legal requirements like zoning laws, data protection acts or social media laws. Let's say an organization wants to construct a new office building in a specific location. A feasibility study might reveal the organization's ideal location isn't zoned for that type of business. That organization has just saved considerable time and effort by learning that their project was not feasible right from the beginning.

4. Operational Feasibility

This assessment involves undertaking a study to analyze and determine whether—and how well—the organization's needs can be met by completing the project. Operational feasibility studies also examine how a project plan satisfies the requirements identified in the requirements analysis phase of system development.

5. Scheduling Feasibility

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This assessment is the most important for project success; after all, a project will fail if not completed on time. In scheduling feasibility, an organization estimates how much time the project will take to complete.

When these areas have all been examined, the feasibility analysis helps identify any constraints the proposed project may face, including:

- Internal Project Constraints: Technical, Technology, Budget, Resource, etc.
- Internal Corporate Constraints: Financial, Marketing, Export, etc.
- External Constraints: Logistics, Environment, Laws, and Regulations, etc.

Importance of Feasibility Study

The importance of a feasibility study is based on organizational desire to “get it right” before committing resources, time, or budget. A feasibility study might uncover new ideas that could completely change a project’s scope. It’s best to make these determinations in advance, rather than to jump in and to learn that the project won’t work. Conducting a feasibility study is always beneficial to the project as it gives you and other [stakeholders](#) a clear picture of the proposed project.

Below are some key benefits of conducting a feasibility study:

- Improves project teams’ focus
- Identifies new opportunities
- Provides valuable information for a “go/no-go” decision
- Narrows the business alternatives
- Identifies a valid reason to undertake the project
- Enhances the success rate by evaluating multiple parameters
- Aids decision-making on the project
- Identifies reasons not to proceed

Apart from the approaches to feasibility study listed above, some projects also require other constraints to be analyzed -

- **Internal Project Constraints:** Technical, Technology, Budget, Resource, etc.
- **Internal Corporate Constraints:** Financial, Marketing, Export, etc.
- **External Constraints:** Logistics, Environment, Laws and Regulations, etc.

Business Unit Promotion: Concept and Stages of Business Unit Promotion, Location-Factors determining location, and role of Government in Promotion.

What is a startup?

A startup is a newly established business, usually small, started by 1 or a group of individuals. What differentiates it from other new businesses is that a startup offers a new product or service that is not being given elsewhere in the same way. The keyword is **innovation**. The business either develops a new product/ service or redevelops a current product/service into something better.

What is Startup India?

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Startups are becoming very popular in India. In order to develop Indian economy and attract talented entrepreneurs, the Government of India, under the leadership of PM Narendra Modi, has started and promoted Startup India initiative to recognize and promote startups.

How to register your startup with Startup India

Step 1: Incorporate your business

You must first incorporate your business as a [Private Limited Company](#) or a [Partnership firm](#) or a [Limited Liability Partnership](#)

You have to follow all the normal procedures for registration of any business like obtaining the certificate of Incorporation/[Partnership registration](#), PAN, and other required compliances.

Step 2: Register with Startup India

Then the business must be registered as a startup. The entire process is simple and online. All you need to do is log on to the [Startup India website](#) and fill up the form with details of your business and upload certain documents.

Step 3: Documents to be uploaded (in PDF format only)

a) A letter of recommendation/support A letter of recommendation must be submitted along with the registration form. Any of the following will be valid-

(i) A recommendation (regarding innovative nature of business) from an Incubator established in a post-graduate college in India, in a format specified by the Department of Industrial Policy and Promotion (DIPP); OR

(ii) A letter of support by an [incubator](#), which is funded (in relation to the project) by Government of India as part of any specified scheme to promote innovation; OR

(iii) A letter of recommendation (regarding innovative nature of business), from an Incubator, recognized by the Government of India in DIPP specified format; OR

(iv) A letter of funding of not less than 20% in equity, by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network, duly registered with SEBI that endorses innovative nature of the business; OR

(v) A letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; OR

(vi) A patent filed and published in the Journal by the Indian Patent Office in areas affiliated with

the nature of the business being promoted.

b) Incorporation/Registration Certificate

You need to upload the certificate of incorporation of your company/LLP (Registration Certificate in case of partnership)

c) Description of your business in brief

A brief description of the innovative nature of your products/services.

Step 4: Answer whether you would like to avail tax benefits

Startups are exempted from income tax for 3 years. But to avail these [benefits](#), they must be certified by the Inter-Ministerial Board (IMB). Start-ups recognized by DIPP, Govt. of India can now directly avail IPR related benefits without requiring any additional certification from IMB.

Step 5: Finally, you must self-certify that you satisfy the following conditions

- a) You must register your new company as a Private Limited Company, Partnership firm or a Limited Liability Partnership
- b) Your business must be incorporated/registered in India, not before 5 years.
- c) Turnover must be less than 25 crores per year.
- d) Innovation is a must– the business must be working towards innovating something new or significantly improving the existing used technology.
- e) Your business must not be as a result of splitting up or reconstruction of an existing business.

Step 6: Immediately get recognition number

That's it! On applying you will immediately get a recognition number for your startup. The certificate of recognition will be issued after the examination of all your documents.

However, be careful while uploading the documents. If on subsequent verification, it is found to be obtained that the required document is not uploaded/wrong document uploaded or a forged document has been uploaded then you shall be liable to a fine of 50% of your paid-up capital of the startup with a minimum fine of Rs. 25,000.

Step 7: Other areas

a) Patents, trademarks and/or design registration

If you need a [patent](#) for your innovation or a [trademark](#) for your business, you can easily approach any from the list of facilitators issued by the government. You will need to bear only the statutory

fees thus getting an 80% reduction in fees.

b) Funding

One of the key challenges faced by many startups has been accessing to finance. Due to lack of experience, security or existing cash flows, entrepreneurs fail to attract investors. Besides, the high-risk nature of startups, as a significant percentage fail to take-off, puts off many investors.

In order to provide funding support, Government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year). The Fund is in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.

Factors to Consider When Choosing a Business Location

Availability of raw materials

If you intend running a manufacturing or production business, then the nearness or availability of raw materials is a factor you must not joke with when choosing your business location. If your business is not sited close to these raw materials, then sourcing and transportation will reduce your profit margin.

Nearness to market

The next important factor to consider is the nearness of your business to its customers. Are your customers resellers or end users? Answering this question will help you determine the best area to locate your business. Remember that for your business to succeed, you must make it easy for customers to find your product.

Availability of basic infrastructure

Availability of basic infrastructure can affect your choice of small business location. Amenities and infrastructure such as water supply, power supply, good road network and security are things to consider when locating your business.

Economic policy

The economic policy or system of a particular region may also affect your decision and choice of location. Some economy favor capitalists and others are driven by socialism; where the government controls all businesses. Other sub-factors to consider are government's policy, fiscal and monetary policy, exchange rates, taxes, levies and duties.

Demographics

Demographics as a factor can have a big influence on your choice of business location. The type of product or service your business offers and the status of the customers will play a vital in your choice of small business location. I will share an example:

Suppose you are into the business of selling stationeries. That means your demographics should be made up of students, so your best bet of location should be within school vicinity.

Psychographics

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The mindset of your customers or the aura of a particular region is also a factor to consider when choosing a location for your small business. For example; if you site your business in a region where tribalism thrives, then you are doomed if you are not a member of the tribe.

Another example is this; if you are in the pornographic industry, you will be making a grievous mistake to site your business within a region where the inhabitants are highly religious.

Industrial Clusters / areas

Some entrepreneurs may decide to site their business in industrial areas or clusters due to the infrastructure and amenities already on ground. Industrial areas are areas mapped out specifically for commercial purposes especially manufacturing firms.

These areas are sometimes given special attention such as good road network, constant power supply, etc. In some certain regions, heavy duty manufacturers are forced by the government to site their companies in these industrial areas.

Export processing zones

Locating your business in an export processing zone may be a smart choice for you especially if are an exporter. Locating your business in such regions means a reduction in transportation cost, faster inspection and clearance of your products by custom officials and so on

Free trade zones

International free trade zones and trade fair centers are also good places to site your business because it is accessible and normally receives wide publicity.

Distributive channel

If your business don't deal directly with end users or final consumers, then it's wise to put your distributive channel into consideration when choosing a location for your small business. The more you make it easier for your distributors to access your products, the better for your business.

As a final note, i want to stress that product accessibility is directly hinged on the location of your business. So when choosing a location for your small business, the following factors listed can give a hand in decision making.

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Statutory Requirements in Promoting Business Unit: Licensing and Registration procedure, filling returns and other documents, Other important legal provisions.

Business licenses are issued by all levels of government and, depending on **what type** of goods you plan to sell, you may **need** to obtain a **business license** on federal, state and/or local levels. Certain **businesses** are required to obtain a federal **business license**, such as the sale of alcohol or firearms.

Thus, for every legal business or service activity, one needs to obtain **trade license**. This **trade license** has to be obtained within 30 days of commencement of the business in some states like **Bombay**, Uttar Pradesh, Karnataka, etc. ... The renewal period of issuing a **license** is 1st January to 31st March every year.

Gumasta **License** is a registration **required for** doing any kind of business in the state of **Maharashtra**. It is governed by the Municipal Corporation of Mumbai under the **Maharashtra Shops and Establishment Act**. This is a certificate which provides you the authority to do your business at a particular place.

Module IV

Entrepreneurship-I

Introduction: Concept and importance of entrepreneurship, factors contributing to growth of Entrepreneurship, Entrepreneur and Manager, Entrepreneur and Intrapreneur.

The Entrepreneurs: Types of Entrepreneurs, Competencies of an Entrepreneur, **Biographical study of entrepreneurs i) Narayan R. Murthy ii) Dr. Nilkanth Kalyani iii) Bhavarlal Jain iv) Any successful Entrepreneur from your area**

Women Entrepreneurs: Problems and Promotion.

4.1 Concept and importance of entrepreneurship

Entrepreneurship is the dynamic process of creating incremental wealth and innovating things of value that have a bearing on the welfare of an **entrepreneur**. It provides civilization with an enormous amount of goods and services and enhances the growth of social welfare.

It provides civilization with an enormous amount of goods and services and enhances the growth of social welfare. The main importance of entrepreneurship is the creation of job opportunities, innovation and improve the economy **Entrepreneur** is risk taker action oriented and highly motivated individual to achieve goals with responsibility of social welfare. As per M. Kirzner Entrepreneur is “ is one who perceives what others have not seen and acts upon that vision. Thus entrepreneurs take the economy and the society to the state of progress and prosperity.

Importance of entrepreneurship are as follows:

- 1. Growth of Entrepreneurship**
- 2. Creation of job opportunities**
- 3. Innovation**
- 4. Impact on social development**

- 5. Reduced failure of business**
- 6. Political and economic integration of outsiders**
- 7. Breeds entrepreneurship**
- 8. Improves standard of living**
- 9. Promotes research and development.**

1. **Growth of Entrepreneurship** :Entrepreneurship the advent of new venture particularly small ventures to materialize the innovative ideas of the entrepreneurs. Thus, the growth or establishment of small enterprises the specific contribution of entrepreneurship in every economy of the world.The statistics reveal that in USA economy nearly half a million small enterprise is established every year. Our country is not an exception in this regard.

2. **Creation of job opportunities** : Entrepreneurship firms contributed a large share of new jobs. It provides entry level jobs so necessary for training or gaining experience for unskilled workers.The small enterprises are the only sector that generates a large portion of total employment every year.Moreover, entrepreneurial ventures prepare and supply experienced labor to large industries.

3. **Innovation** :Entrepreneurship is the incubator of innovation. Innovation creates disequilibria in the present state of order.It goes beyond discovery and does implementation and commercialization, of innovations.“Leapfrog” innovation, research, and development are being contributed by entrepreneurship.Thus, entrepreneurship nurses innovation that provides new ventures, products, technology, market, quality of good, etc. to the economy that increases Gross Domestic Products and standard of living of the people.

4. **Impact on social development** :A community is better off if its employment base is diversified among many

small entrepreneurial firms.It promotes abundant retail facilities, a higher level of homeownership, fewer slums, better, sanitation standards and higher expenditure on education, recreation, and religious activities.Thus, entrepreneurship leads to more stability and a higher quality of community life.

5. **Reduced failure of business** :The collapse of the large industry almost has irresistible damage to the development of the state and the state of the economy and the financial condition of the relevant persons.The incumbents lost their jobs: suppliers and financial institutions face a crisis of recovery.Customers are deprived of goods, services, and government losses taxes. This could not happen in the case of failure of entrepreneurship there shall be no measurable effect upon the economy and no political repercussions too.

6. **Political and economic integration of outsiders** :Entrepreneurship is the most effective way of integrating those who feel disposed of and alienated into the economy.Minorities, migrants, and women are safely integrated into entrepreneurship that will help to develop a well-composed plural society.

7. **Breeds entrepreneurship** Entrepreneurship is the nursing ground for new inexperienced adventurers.It is the field where a person can start his/her idea of the venture, which may be ended up in a giant enterprise. All the large industrial ventures started as a small entrepreneurial enterprise.Therefore, entrepreneurship provides a wide spectrum of ventures and entrepreneurs in every economy. The vast open arena of entrepreneurship thus acts as an incubator to entrepreneurs.

8. **Improves the standard of living** :The standard of living is a concept built on an increase in the amount of consumption of a variety of goods and services over a particular period by a household.So it depends on the availability of diversified products in the market. Entrepreneurship provides enormous kinds of a product of various natures by their innovation. Besides, it increases the income of the people who are employed in entrepreneurial enterprises. That also capable employed persons to consume more goods and services. In effect,

entrepreneurship enhances the standard of living of the people of a country.

9. Promotes research and development: Entrepreneurship is innovation and hence the innovated ideas of goods and services have to be tested by experimentation. Therefore, entrepreneurship provides funds for research and development with universities and research institutions. This promotes the general development, research, and development in the economy. Entrepreneurship is the pioneering zeal that provides events in our civilization. We are indebted to it for having prosperity in every arena of human life- economic, technological and cultural.

Factors contributing to growth of Entrepreneurship

Entrepreneurship is essential for the development of any economy. Countries which have flourished attribute their rise to the growth of entrepreneurship. Therefore, governments and people all over the world want to encourage this concept.

1. **Political factors** play a huge role in the development of entrepreneurship in a given geographical area. This is because politicians decide the type of market that is in place. The market could be capitalistic, communist or some countries have adopted a mixed economy. Each of these three markets has very different implications for the way in which entrepreneurs are required to function. Capitalism requires breakthrough innovation whereas communism requires entrepreneurs to be well connected with the political class. Therefore, it has been observed that the more capitalistic any country is, the more entrepreneurship flourishes in the region.
2. **Legal factor** -Entrepreneurs are dependent upon law for a wide variety of factors. The strength and fairness of the legal system of a nation affect the quality of entrepreneurship to a large extent. This is because entrepreneurs require a wide variety of legal services to function. For instance, entrepreneurs would require the courts to enforce the contracts that were entered to between parties. In many countries such contracts are not enforceable and therefore the resultant risk prohibits the development of entrepreneurship. Then again, the entrepreneurs are dependent on the courts for the protection of their property rights. Also, many advanced countries have noticed that the provision of declaring bankruptcy has been positively associated with the development of entrepreneurship. Entrepreneurs do fail a few times before they find the right innovation that leads to their success. The United States is amongst the countries with the highest rate of entrepreneurial development and it is also known to have one of the most advanced bankruptcy laws! Even business legends like Henry Ford had declared bankruptcy in their early days.
3. **Taxation**- The government can also influence a high degree of control on the market through provisions of taxation. Some amount of taxation is necessary for the government to maintain the legal and administrative systems in place for the entire economy. However, a lot of times governments resort to excessive taxation. They usually adopt the policy of beggaring the rich and giving it off to the poor. This goes against the basic tenets of entrepreneurship which believes in survival of the fittest. Therefore, countries where tax regimes are restrictive find an outflow of entrepreneurs. In short, entrepreneurs want to set up shop in places where there is minimal interference from the government.
4. **Availability of Capital**- The degree to which the capital markets of a nation are developed also play a huge role in the development of entrepreneurship in a given region. Entrepreneurs require capital to start risky ventures and also require instant capital to scale up the business quickly if the idea is found to be successful. Therefore, countries which have a well developed system of providing capital at every stage i.e. seed capital, venture capital, private equity and well developed stock and bond markets experience a higher degree of economic growth led by entrepreneurship.
5. **Labour market**- Labour is an important factor of production for almost any kind of product or service. The fortunes of the entrepreneurs are therefore dependent on the availability of skilled labour at reasonable prices. However, in many countries labour has become unionized. They demand higher wages from the entrepreneurs and prohibit other workers from working at a lower price. This creates an upward surge in the costs required to produce and as such has a negative effect on entrepreneurship with the advent of globalization, entrepreneurs have witnessed the freedom to move their operations to countries where labour

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markets are more favourable to them. This is the reason why countries like China, India and Bangladesh have witnessed a huge rise in entrepreneurial activity in their countries.

6. **Raw material availability** - Just like labor, raw material consisting of natural resources is also an essential product required for any industry. In some countries this raw material is available through the market by paying a fair price. However, in some countries seller cartels gain complete control over these natural resources. They sell the raw materials at inflated prices and therefore usurp most of the profit that the entrepreneur can obtain. Therefore, countries where the supply of raw material faces such issues witness depletion in the number of entrepreneurial ventures over time.
7. **Infrastructure** -Lastly, there are some services which are required by almost every industry to flourish. These services would include transport, electricity etc. Since these services are so basic, they can be referred to as the infrastructure which is required to develop any business. Therefore, if any country focuses on increasing the efficiency of these services, they are likely to impact the businesses of almost all entrepreneurs in the region. Therefore, countries which have a well developed infrastructure system witness high growth of entrepreneurship and the opposite is also true of course, the above list of factors is not exhaustive. Entrepreneurship is far too complex a subject to capture in a few bullet points. However, the above list does provide an indication towards the type of factors that can play an important role.

Entrepreneur and Manager,

Entrepreneur and Intrapreneur. The main difference between **Entrepreneur and Intrapreneur** is that **Intrapreneur** is an employee, and an **Entrepreneur** is free and the leader of the operation. **Intrapreneurship** is the change initiatives taken within a going concern by the people working in that organization. Hisrich and Peters define.

Comparison of traditional managers, entrepreneurs and intrapreneurs

	<u>Traditional managers</u>	<u>Entrepreneurs</u>	<u>Intrapreneur</u>
A management graduate is a person trained to manage an enterprise; naturally he will deliver the best results.	power More management graduate take entrepreneurial role after some experience and their income is higher than their colleagues who are on the job.	Entrepreneur works independently for his own ambitions	Intrapreneur works for another person/company to provide creativity
1.Primary motive Aim on getting Promotion and other traditional corporate rewards such	Aim on Independence opportunity to create money	Aim on Independence	Aim on Independence and ability to advance in corporate rewards
2.Risk Risk Careful, completely avoid risk activities such as risk projects	Moderate risk taker	Not fully risk taker, he tends to hide risky projects until there are on lower level of risk	
3.Activity Delegates and supervises more than direct involvement	Direct involvement	Direct involvement more than delegation	
4.Failure and mistakes Tries to avoid mistakes	Deals with mistakes and failure positively		
5.Relationship with others Hierarchical	Transaction	Transaction with hierarchy	
6.Decision Usually agrees with those in upper management	7.Operation Involves in functional operations	Follow dreams with decisions	

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Operates from inside or outside Follow dream but able to get achieving the dream Operation
depending on firms size others to agree to help in from within the organization

A manager, on the other hand, is not an owner of an enterprise. Instead, he is the one that is responsible for the management and administration of a group of people or a department of the organization. His day to day job is to manage his employees and ensure the organization runs smoothly. A manager must possess some of the same qualities as an entrepreneur, like leadership, accountability, decisiveness etc. He must also be a good manager of people. So qualities such as warmth and empathy are also very important in a manager.

Entrepreneur : Very basically speaking, an entrepreneur is a one-man show that runs entrepreneurship. However, such a person usually has some unique attributes that allow him to be successful in his endeavors. He is essentially an initiator and a leader. He brings business ideas to fruition thus starting off his venture. The focus of an entrepreneur lies in starting the business and later expanding the business. The key motivation is achievements.

Intrapreneurs are very similar. Typically, they're running a company/startup in the domain or the core competencies of the mothership. They have one funding source, so sometimes that can limit their potential to be successful. The difference between intrapreneurs and entrepreneurs lies in the investment opportunity. Intrapreneurs have only one source of funding, investment may come a lot easier for an intrapreneur who often doesn't have to go through the strenuous fundraising periods that an entrepreneur has to go through.

Competencies/Qualities/ Traits of an Entrepreneur

10 competencies are:

- Opportunity -seeking and initiative. Entrepreneurs seek opportunities and take the initiative to transform them into business situations.

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- Persistence-When most people tend to abandon an activity, successful entrepreneurs stick with it.
- Commitment- Entrepreneurs keep their promises, no matter how great the personal sacrifice.
- Demand for efficiency and quality- Entrepreneurs try to do something better, faster or cheaper.
- Taking calculated risks- Taking calculated risks is one of the primary concepts in entrepreneurship.
- Goal setting- This is the most important competency because none of the rest will function without it. Entrepreneurs set goals and objectives which are meaningful and challenging.
- Information seeking- Entrepreneurs gather information about their clients, suppliers, technology and opportunities.
- Systematic planning and monitoring- Systematic behaviour means acting in a logical way. Planning is deciding what to do. Monitoring means checking.
- Persuasion and networking-** Entrepreneurs influence other people to follow them or do something for them.
- Independence and self-confidence-** Entrepreneurs have a quiet self-assurance in their capability or potential to do something.

Many desire to be an entrepreneur, it's always exciting to chart one's own vision, be your own boss & create wealth. Idea, concept or product alone cannot assure success. The success is directly proportional to qualities that define the entrepreneur.

1. Is a salesman, knows the critical difference between price & value
2. Driven by speed of execution, creates time budgets, set deadlines & values time more over money.
3. Ability to say "I do not know"
4. Have an opinion & respect opinions
5. Eye on what's missing, understand what & where are the gaps
6. Knows how to reward, build team & has the attitude of gratitude
7. Leverage the power of numbers to engage investor by continuous improvements with measurement of business metrics.
8. Get into tough conversations, be expressive & can say "No"
9. Religiously confirms planning commitments, minutes & instructions in writing, leaving no room for assumptions
10. Lead from front, network with people effectively & navigate through obstacles efficiently
11. Brevity & clarity in communication & negotiations
12. Attitude of zero tolerance, no overlooking of facts, problems & errors
13. Values courtesy principles by giving the deserving respect to all & working hard to earn the respect, reputation & recognition
14. Does not frequently use these words "Usually, Maybe, Confused, Worried, Suspect, Probably, Likely, Might, Won't, Need"
15. Understands quitting is not equal to failure, not afraid of rejection while shameless self promotion
16. Accessible to team, customer, investors & loves to be in market than office
17. Avid listener, craves learning with sponge like nature to absorb knowledge
18. Not pursuing every possible opportunity in the world but stay focused on the precise goals
19. Enthusiastic, motivated & contagious personality
20. Understand ambiguity, perseverance & risks associated with entrepreneurship journey

There is no scientific study on above list or it's a comprehensive list nor it's fool-proof list. The

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references above are based on my personal journey as an entrepreneur having built businesses, successfully exited them. The majority of insights are from angel investing in 45 odd companies wherein I met entrepreneurs from diverse backgrounds & businesses. Today it's my check list of attributes for the quest to invest in right entrepreneurs, than right ideas.

Biographical study of entrepreneurs i) Narayan R. Murthy ii) Dr. Nilkanth Kalyani iii) Bhavarlal Jain iv) Any successful Entrepreneur from your area

Women Entrepreneurs: Problems and Promotion.

A **biography** is a description of a real person's life, **including** factual details as well as stories from the person's life. **Biographies** usually **include** information about the subject's personality and motivations, and other kinds of intimate details excluded in a general overview or profile of a person's life. Each biographical study here consists of a brief summary of the person's life and work, including, as may be appropriate and available.

Narayana Murthy's Personal Background

N. R. Narayana Murthy was born in a 'Kannada Madhwa Brahmin' family in Mysore. He has eight brothers and a sister. Murthy's father was a school teacher. Narayana was born into a middle class family in Mysore. Since his father was a high-school teacher, the financial conditions of the family were not that good.

Narayana attended a government school and pursued his B.E degree from the University of Mysore and masters from IIT, Kanpur.

Narayana is married to Sudha Murthy, who too is an engineer, an Indian social worker and an accomplished author.

Narayana's wife being a philanthropist, he too believes in philanthropy. Murthy comes across as a very social and friendly man. He always raises his voice for various social issues in the country such as elections, unemployment, poverty etc. He is a cooperative and a good natured person and manages his company quite well. The recent news of him quitting Infosys has been keeping him in the headlines.

Narayana Murthy's Career

- Narayana started his career as a chief system programmer at IIM Ahmedabad where he implemented the BASIC interpreter for ECIL (Electronics Corporation of India Limited).
- Later, he joined Patni Computer

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Systems, Pune. Prior to moving to Mumbai, he met his wife, Sudha, who too was an engineer.

- In 1981, Narayana founded Infosys with six people with an initial capital of US\$250, the maximum share of which was borrowed from his wife. Narayana served as the CEO of Infosys for 21 years, and later was succeeded by co-founder Nandan Nilekani in March 2002.
- Infosys became the first company to be listed in NASDAQ, in 1991.
- In 1996, it started its office in Europe, Milton Keynes, UK.
- In 2002, it was selected as the "The India's Most Respected Company" by the Business World Survey.

The couples are parents to two children, Rohan and Akshata. His son, Rohan is engaged to Lakshmi Venu, daughter of Venu Srinivasan of TVS motors, and his daughter Akshata is married to Rishi Sunak.

Awards and Achievements won by Narayan Murthy

Being the 33rd richest man in India, he has a net worth of US \$1.8 Billion. He has won a number of awards, following are some of them:

- The Asiaweek magazine counted him in the 50 top most powerful men in the year 2000.
- He was honored with the Padma shree award by the President of India.
- In 2001, he was awarded the Wharton school's Dean Medal, University of Pennsylvania.
- Narayana was also honored with the title 'Asia's Businessman of the year' by Fortune magazine in 2003.
- In 2008 he was honored with the Padma Vibhushan by the President of India.
- He is associated with important and prestigious organizations. He is the member of the Board of Directors of INSEAD, the Board of Oversees of the Wharton School Of the University of Pennsylvania, the Board of Members of School of Management at Asian Institute of Technology.
- He also serves as a Director of the Central Board of the Reserve Bank of India.

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The company follows the following principles:

- **Vision** : "We will be a globally respected corporation."
- **Mission** : "To achieve our objectives in an environment of fairness, honesty, and courtesy towards our clients, employees, vendors and society at large".
- **Values** : We believe that the softest pillow is a clear conscience. The values that drive us underscore is commitment

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- **Client Value** : To surpass client expectations consistently.
- **Leadership by Example** : To set standards in our business and transactions and be an exemplar for the industry and ourselves.
- **Integrity and Transparency** : To be ethical, sincere and open in all our transactions. •
- **Fairness** : To be objective and transaction-oriented, and thereby earn trust and respect. •
- **Excellence** : To strive relentlessly, constantly improve ourselves, our teams, our services and products to become the best.

Babasaheb Neelkanth Kalyani is an Indian

businessman^[5] who served as the chairman and managing director of [Bharat Forge](#), the [Flagship](#) company of the [Kalyani Group](#) and the world's second-largest [forgings](#) manufacturer after [ThyssenKrupp](#) of Germany. Babasaheb Kalyani was born in a Marathi family on 7 January 1949 to Mrs. Sulochana and Mr. Neelakanth Kalyani, a Pune-based technocrat and maker of automotive components. He completed his high school from Rashtriya Military School, Belgaum; and also attended Nararvala School, Pune. He attended [BITS Pilani](#), from where he earned a [BE \(Hons.\)](#) in Mechanical Engineering in 1970,^[8] and later [Massachusetts Institute of Technology](#) where he earned an [MS](#) degree.

Baba Kalyani joined Bharat Forge, a global manufacturing company, in 1972.^[9]

He is the founder-chairman of Pratham Pune Education Foundation, an NGO that is engaged in providing primary education to children belonging to under-privileged sections of the local community, which was established in 2000.^[10]

To contribute to a clean and emission-free environment, Kalyani set up Kenersys Limited to manufacture various energy-efficient wind turbines for domestic and international markets. The company also has its own wind turbines in Maharashtra which generate "green energy" for the group's manufacturing operations. He is also engaged in developing solar energy equipment for the non-conventional energy sector. In a joint venture with KPIT Cummins, Bharat Forge is developing a hybrid solution that would contribute in the country being able to meet its vehicular emission targets.

In SKF board of directors member since 2011.

Kalyani received the Indian government's [Padma Bhushan](#) award for contributions to Trade and Industry,^[11] and was made Commander First Class of the Royal Order of the Polar Star by the Swedish government in recognition of his contribution in furthering trade and business cooperation between Sweden and India. Other awards include Global Economy Prize, 2009 for Business by Kiel Institute, German Businessman of the Year, 2006 by Business India Magazine, Entrepreneur of the Year 2005 for Manufacturing by [Ernst & Young](#), and CEO of the Year 2004 by the Business Standard group.

Government of India constituted a task force under the chairmanship of Baba Kalyani to study policies related to special economic zone (SEZ) on 6 June 2018.

On 19 February 2015, the Kalyani Group announced a joint venture with [Rafael Advanced](#)

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[Defense Systems](#) of Israel. This joint venture company will be based in India

Bhavarlal Jain was born in 1937 into a farming [Oswal](#) Jain family,^[3] originally in the village of [Wakod](#) located in [Jalgaon district, Maharashtra](#).^[4] A law graduate, he spurned the offer of a [civil service](#) job to pursue agriculture as a profession at the age of twenty-three.^[citation needed] In 1963, selling kerosene from a pushcart, Jain started the family business. The family formed a partnership with a meagre ₹ 7,000, the accumulated savings of three generations, as capital. In 1972–74, Jain decided to revert to his ancestral farms from trading and business. In 1980, he established a [PVC](#) pipe manufacturing operation. In 1987–88, he set up a public corporation – the first of its kind in the private sector in the [Khandesh](#) region – for the production, promotion and propagation of drip irrigation in the country.^[5] He purchased a piece of land that was lying between a hill and the Jalgaon – Pachora road. The revenue classification of the land was less than that of degraded land. He converted this land into cultivable land, now recognised as the Jain Hills and Jain Valley, or Jain Agri Park and Jain Food Park.^[6] Then, he went on to pioneer the concept of [micro irrigation](#) in India. He received many awards and accolades for outstanding work in agriculture including the prestigious Crawford Reid Memorial Award instituted by the [Irrigation Association](#), USA for "Significant achievements in promoting proper irrigation techniques and in fostering major advancements in the Industry outside the United States of America" in 1997. He was the first Indian and the second Asian to receive this honour. He was greatly influenced by the Jain teachings of [Ahimsa](#) (non-violence) and [Anekāntavāda](#) (multiplicity of view points).^[2] Jain died at Jaslok Hospital in Mumbai on 25 February 2016 from multi-organ failure, [septicaemia](#), and [listeriosis](#).

Inspired by a quote, "Agriculture: a profession with future", Jain added dealerships for tractors, sprinkler systems, PVC pipes, and other farm equipment. To broaden the business base, he also added agencies for farm inputs such as fertilizers, seeds, and pesticides. His business grew from Rs. 1 million in 1963 to Rs. 110 million in 1978.

Jain did a considerable amount of work particularly regarding water management systems. At JISL's modern 1,000-acre (4.0 km²) research and development farm, work takes place to provide cost effective measures for wasteland development, soil and water conservation, greenhouse, fertilisation, adoption of bio-pesticides and bio-fertilisers, effective farm management and improving productivity for horticultural crops. 'Grand Nain'- a tissue cultured banana variety introduced by him has emerged as the leading variety with banana farmers in Maharashtra.^[7]

He strove hard to earn a place of pride for Indian agriculture by augmenting yields and adding value using technology.

In July 2007, he founded the [Anubhuti School](#), a strictly vegetarian, residential school with a difference which judiciously blends classroom learning with experiential project work.^[8] This school recently achieved the Green School Award.

Jain was the managing trustee of Jain Charities, an organisation dedicated to social causes like education and rural development.^[9] The organisation is now known as 'Bhavarlal and Kantabai Jain Multipurpose Foundation'.

Jain authored many books in English and Marathi. The following table contains his writings listed by year of publication. His speeches, articles and interviews have been collected and published extensively.

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