

DR.MPS MEMORIAL COLLEGE OF BUSINESS STUDIES

BUSINESS ENVIRONMENT

SEMESTER 1 (1ST YEAR)

Unit 1

Concept of Business Environment

No business enterprise functions in a vacuum. It is a product of business ecology i.e., business environment. Nature, location, product/service, size, volume price, policies and decisions of the business enterprise are influenced by the business environment. A business unit's decisions and performance are influenced by a wide variety of factors, which are called Business Environment. Business Environment refers to all the external forces which have a bearing on the functioning of business. The literary meaning of Business Environment means the surroundings, external objects influences etc., Business Environment is the aggregate of all conditions, events and influences that surrounds and affects a business unit. Business Environment poses certain threats to a business unit. Business Environment gives immense opportunities for market exploitation.

Definition: According to William F. Gluck and Lawrence R. Jauch, “ The Business Environment includes factors outside the firm, which can lead to opportunities for or threats to the firms. Although there are many factors, the most important of the factors are socio-economic, technological, suppliers, competitors and government.”

According to Barry M. Richman and Melvyn C open , “ Environmental factors or constraints are largely, if not totally, external and beyond the control of individual industrial enterprise and their managements. These are essentially the “givens” within which the firms and their managements must operate in a specific country and they vary, often greatly from country – to – country.”

NATURE AND CHARACTERISTIC OF BUSINESS ENVIRONMENT

1. **Symbolic relationship between B.E. factors and business decisions:** Business decisions and performance are influenced by the B.E. factors. Eg: what business to do; what re the targeted customer segments, what strategies to be adopted, where-when and how to do business, whether to continue or expand and if yes, where and how to expand and so on are influenced by a number of B.E. factors.
2. **B.E. factors are dynamic:** The internal, micro and macro environmental factors are ever-changing. As years roll by, there will be a marked change in them. So, the business enterprise should adopt itself to these dynamic factors.
3. **No single-firm cannot change the B.E.:** A business firm is not in a position to change the environment. It should operate within the “given” factors of B.E. But, along with

other firms, a single firm may be in a position to alter and mould environment in its favour.

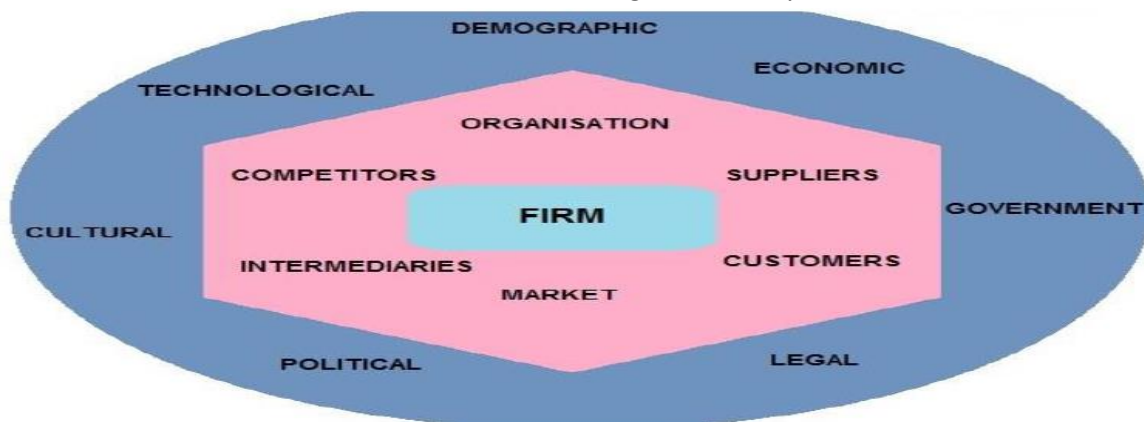
4. **B.E. comprises both external as well as the internal factors:** The internal business environment factors include the value system; vision mission objectives; management structure; internal power relationship; human resource; company image; physical assets; research and development; marketing resources and financial factors. These factors are controllable by the management. The external factors of B.E. are micro and macro. The micro B.E. are micro suppliers; customers; competitors; marketing intermediaries; financiers; and publics. The macro B.E. factors are STEPIN.-socio-cultural; technological; economic; political; international/global and natural environment. These factors are uncontrollable by a single firm.
5. **B.E. establishes FIRM-ENVIRONMENT:** Formulation of strategy is establishing the firm-environment fit. The mission / objectives/goals should be based on an assessment of the external environment and internal environment. A SWOT analysis is made. External environment has 2 components 4 viz., business opportunities and threats to business. Internal environment has 2 components viz., strengths and weaknesses of the organization.
6. **B.E. varies from country-to-country:** This is because countries may differ in their economic, social, political factors. g. Different level of influences is exerted by various factors of the business environment h. Within the same country, different regions may differ in respect of demographic, cultural, localpolitical situations, law and order. So, B.E. differs.
7. As economic advances are made, social values change, political ideologies change; so also B.E. changes.
8. B.E. provides opportunities and challenges, accelerator and brakes, leverages and limitations.
9. B.E. is supportive for some of the business units and restrictive for some other business units.
10. B.E. is dynamic and complex on national planes.
11. B.E. is influenced by TRANSNATIONAL factors like International investment, World Bank, IMF, WTO, Trading blocs.
12. B.E. factors do not pull in the same direction. There is a conflict between govt. factors and market forces between economic factors and the social factors and so on.
13. Politico-govt. factors dominate the environment because political ideology and stability set the tone and background for business.

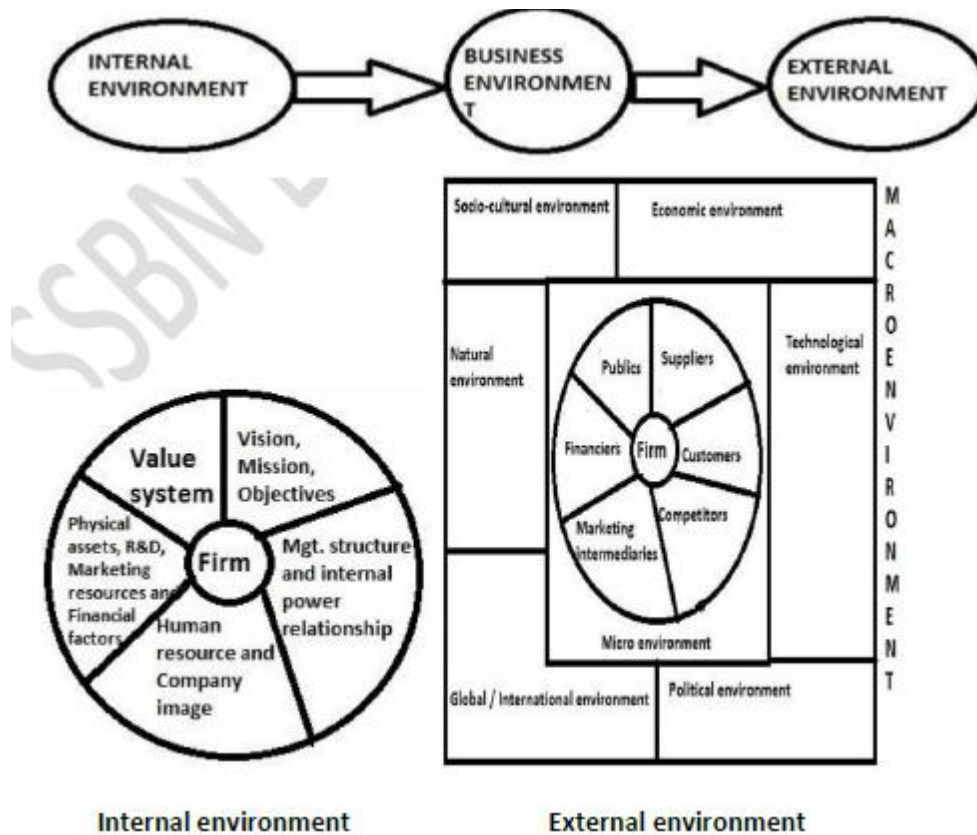
NEED/SIGNIFICANCE/IMPORTANCE OF UNDERSTANDING AND ANALYZING THE BUSINESS ENVIRONMENT:

1. **B.E. offers immense potential:** B.E. poses threats to a firm. It also offers immense opportunities for potential market exploitation. A firm is able to locate the new markets, new customers and understand the competitors in a better way by analyzing B.E.
2. **Effective decisions and strategies:** B.E. factors exert lot of influence over business decisions and strategies. The business decisions become more effective by properly conducting environmental analysis.
3. **Dynamic B.E. instills more capabilities:** The B.E. is dynamic and ever changing. The factors are volatile. So , a business unit is able to cope-up with the challenges posed by B.E. factors STEPIN. A business unit becomes more capable, competent and strong through conducting environmental analysis. Internal and external environment decide the working.
4. **Environmental analysis:** It enables a business unit to understand its strengths and weaknesses. The external environmental factors open many and immense opportunities for market exploitation. They also warn the enterprise about threats from competitors, government policy, etc.
5. **A business is the product:** It is the product of the technological, political, legal, economic, social, cultural, global and natural factors amidst which it functions/works.
6. **Survivals and success of a business firm:** It depends on its resources and its adaptability to the environment.

TYPES AND COMPONENT OF BUSINESS ENVIRONMENT

Business Environment can be classified in to two categories Namely:





1. Internal Environment: Internal Environment refers to the factors existing within a business firm. These internal factors are considered to be controllable because the enterprise has control over these factors. The main internal factors which influences Business Decisions are as follows:

i) Culture: The values, beliefs and attitudes of the founder and top management of the company exercises a strong influence on what the company stands for, how it does things and what it considers important. When the value system is shared by all the members, the organization is likely to be more successful.

ii) Mission And Objectives: The Objectives of all the firms is assumed to be Profit Maximization in the long run. But Mission is different from this narrow objective of profit maximization. Mission is defined as the overall purpose or reason for existence which guides and influences a firm decisions and economic activities.

iii) Top Management Structure: The structure of the organization also influences the business decisions. The composition of the board of directors, the degree of professionalization of management and the organizational structure of a company have a important bearing on its business decisions.

iv)Power Structure: The internal power relationship between the board of directors and the Chief Executive Officer is an important factor. The extent to which the top management enjoys the support of shareholders and employees at different levels, also has an important bearing on decision making.

2. External Environment: External business environment, which is typically broken down into two categories. The general environment, which includes an array of external influences, such as the environment, technology, economic conditions, demographics, sociocultural forces, political or legal factors. The task environment, which consists of a company's ability to acquire necessary materials, such as products for making the clothing, or revenue from sales and their ability to deliver outputs as exporting goods. External Environment refers to the factors existing outside a business firm. These External factors are considered to be uncontrollable because the enterprise has No or Partial control over these factors. Further, External Environment can be divided into two types Namely:

i)Micro Environment: Micro Environment consists of the factors in the company's immediate environment. These factors affects the performance of the company and its ability to serve the customers. Micro Environment consists of the following:

a)Customers: Customers constitutes an important segment of the micro environment. Customer is the king of the market and every business exists to serve its customers. A business has no meaning until and unless there are customers to serve.

b)Suppliers: Suppliers are the person who supply various inputs such as money, raw material, fuel, power etc. and help in the smooth conduct of business. Further, firms should have more than one supplier so that changes in the policies of one supplier does not effect their production schedules. **c)Competitors:** Competitors form an important part of the Micro Environment. Business Firms compete to capture a larger share in the market. They constantly watch the competitors policies and adjust their policies to gain customer confidence.

d)Company Image And Brand Equity: The image and Brand Equity of the company plays a very important and significant role in raising finance, forming alliances, choosing dealers and suppliers etc.

ii) Macro Environment: The Macro Environment consists of the Economic and Non-Economic variables that provide opportunities and threats to firms. This is largely uncontrollable and therefore, firms must adjust their operations to these environmental factors. Macro Environment consists of the following:

a)Political Environment: Political Environment consists of the elements relating to government affairs. The political environment provides the framework within which business has to function.

The main components of Political Environment are: The Constitution of the Country.● Political Organization: includes Philosophy of political parties, ideology of the government,● nature and extent of bureaucracy, influence of primary groups etc. Political Stability: includes structure of Military and police force, election system, Law and● order situation etc. Image of the country and its leaders.●

b) Economic Environment: The Economic Environment consists of the economic forces that affects the business activities. These forces influences the buying behavior and spending patterns of consumers and institutions.

The main components of Economic Environment are: Economic System: includes Capitalist, socialist and Mixed Economic System.● Economic Policies: includes Monetary Policy, Fiscal Policy, Supply side Policy etc.● Economic Indices: includes Gross Domestic Product, Consumer Price index, Per Capita● Income etc. Financial Market: includes Share Market, Money Market, Derivative Market, Capital Market.●

c) Social And Cultural Environment: Social Environment refers to the characteristics of the society in which a business firm exists and operates.

The main components of social and cultural environment are: Demographic Forces: includes Size, Composition and Mobility of Population.● Social Institutions and Groups.● Caste Structure and Family Organisation.● Educational System and Literacy Rate.● Customs, beliefs, values and life styles.●

d) Technological Environment: Technology is changing at a fast pace and technological environment is dramatically affecting the business environment either due to easy import policies or because of technology up-gradation.

The main components of Technological Environment are: Rate of Technological change and Diffusion.● New approaches to the production of goods and services.● Use of New processes and equipment.● Transfer of Foreign Technology.●

e)Legal Environment: The Legal Environment consists of the regulatory forces that will affect the business activities and operations.

The main components of Legal Environment are: Current Legislation.● International Legislation.● Regulatory bodies and processes.● Tax Regulations.● Competitive Regulations.●

f) Natural Environment: The main components under Natural Environment are: Climatic Conditions.● Agriculture, Commercial, and other Natural Resources.● Ecological System.● Levels of Pollution.●

ECONOMIC SYSTEM

Economic systems differ from country to country according to the nature of economic institutions which a country chooses for the satisfaction of people's wants.

CAPITALISM OR CAPITALISTIC ECONOMY

Meaning and Definition of Capitalism: In a capitalist economy, households and firms are the basic production units. The capitalist system is also known as a free enterprise economy and market economy. It is characterized by the private ownership of the means of production, individual decision-making and the use of the market mechanism to carry out the decision of individual participants and facilitate the flow of goods and services in markets."

According to **Carl Marx**, "Capitalism is a particular mode of organization of production which is characterized by

- **Wage slavery**
- **Production**
- **Creations of surplus-value**

According to **Looks and Hoots**, "Capitalism is a system of the economic organization featured by the private ownership and the use for the private profit of man-made and nature-made capital."

In a pure **market economy**, all productive activities are privately owned or supposed to be owned by the state. The goods and services that a country produces and the quantity in which they are produced are not planned by anyone.

either, production is determined by the interaction of supply and demand and signaled to produce through the price system. If demand for a product exceeds supply, prices will rise, signaling producers to produce more if supply exceeds demand, prices will fall, signaling produces to produce less. In this system consumers are sovereign.

CHARACTERISTICS OF CAPITALISM

- **Free Enterprise:** The term free enterprise implies that private firms are allowed to obtain resources, organize production, and sell the resultant product in any way they choose. It means that there will not be any government or other artificial restrictions on the freedom and ability of the private individuals to carry out any business.
- **Private Ownership:** The factors of production land labor and capital are privately owned and production occurs at private initiative, Individuals have their property rights protected and are usually free to use their property as they like and as long as they do not infringe on the legal property rights of others.

- **Limited Role of Government:** Government interference is necessary to ensure some of the essential features and smooth functioning of the capitalist system, *e.g.*, to define and protect property rights, ensure freedom of entry and exit, *enforce* contractual agreements entrepreneurs ensure the community wants, etc.
- **Absence of a Central Plan:** The activities of the numerous economic Units in a capitalist system are not guided, coordinated, or controlled by a central plan. Resource allocation and investment decisions in a free market economy are influenced by market forces rather than by the state. This clearly shows that there is an absence of a control plan.
- **Consumer's Sovereign:** The consumer Occupies a key position in the economic system. They have complete freedom of choice of consumption The production decisions are based on consumer desires. The customer is the king.
- **Competition** reduces market imperfections and associated problems It is necessary for a private enterprise economy to keep imitative constantly on alert, to protect the consumer and to maintain a sufficiently flexible price system.
- **Freedom to Save and Invest:** The term saving implies the sacrifice of consumption, as saving depends on income and consumption. The freedom to save, inherit and accumulate wealth is a right that perhaps is more typical for the private enterprise system than is a free choice of consumption and occupation
- **Freedom of Choice of Occupation:** The freedom of choice enables the worker to make the best possible bargain for his labor. This implies that the employers have to competitively bid for labor. But this does not mean the guaranteed job a worker opts for. The choice is practically limited by the extent of availability of the jobs.
- **The Market System:** In a market economy, the buyers and sellers express their opinion about how much they are willing to pay for or how much they command goods and services. Prices guide the purchase decisions of the consumers. The market prices reflect the desires of millions of consumers. it also provides guidance to investors and other business persons.

MERITS AND DEMERITS OF CAPITALISM

The merits of capitalism are as follows:

- 1. Democratic Nature:** People enjoy full economic freedom under capitalism. The entrepreneurs the consumers, the workers, and the owners of capital are all free to do work as they like to fulfil their needs and wants. individual freedom makes capitalism democratic.
- 2. Rapid Economic Growth:** The capitalist system helps in rapid economic growth due to incentives and initiative.
- 3. Incentive:** In the capitalist economic system, entrepreneurs have sufficient incentive to undertake enterprise and bear risks. The profit motive induces them to invest money even in those industries which involve great risks.

4. Innovation: In order to survive in a competitive market entrepreneurs introduce new products, new techniques of production and distribution, and other improvements. They introduce new Innovation to increase profits.

5. Efficient Utilization of Resources: Under capitalism, the scarce resources of the country are used most economically and with minimum waste.

6. Capital Formation: People have the incentive to save money and invest it in order to earn larger incomes in the future due to the right of private property and inheritance.

7. Flexibility and Adaptability: Capitalism has an inherent ability to change according to changing requirements and circumstances. It is a dynamic system and can be adapted to the changing environment. That is why capitalism has survived for centuries.

The demerits of capitalism are as follows:

1. Lack of Maximum Social Satisfaction at Minimum Social Cost: Maximum social satisfaction can be achieved when goods produced are made available to those consumers who will get the maximum satisfaction from them. But in the capitalist system goods go in the hands of the people who can offer the best prices. In other words, goods are distributed according to the ability to pay rather than according to the needs of people.

2. Social Waste: Cut-throat competition among business firms results in unnecessary expenditure on advertising and ruthless exploitation of natural and human resources of the nation. There is mal-allocation of the country's resources because producers are guided by profit motives. They produce those goods which rich people can afford to buy rather than those which poor people actually need.

3. Concentration of Economic Power: Right to private property and the law of inheritance result in the concentration of wealth in a few hands. The concentration of wealth and property in the hands of a few persons leads to extreme inequalities in the incomes of people. On the one hand, a few enjoy a luxurious living and on the other, a large section of society is deprived of even the basic necessities of life.

4. Social Discrimination Capitalism leads to the division of society into two classes: has (rich) and have nots (poor). The rich exploit the poor. Thus, capitalism may benefit a few at the cost of many.

5. Economic Instability: Capitalism does not provide stability of the price level. Free working of market mechanism results in business cycles wherein business booms is followed by business depression. Market mechanism results in business cycles because savings and investment are not coordinated as these are determined by two different classes of people.

6. Loss of Human Values: Capitalism promotes materialistic attitudes in the people. The lust for profits and wealth gives rise to several social evils. It is alleged that "capitalism has to a conscience, its God is gold. It contains the seeds of its own destruction.

7. Rise of Monopoly: Big business and giant corporations dominate the country's economy in a capitalist system. They weaken the forces of competition and reduce consumer sovereignty. They influence public opinion and lifestyles to suit their business. Free play of market mechanism is distorted.

SOCIALISTIC ECONOMY

Socialism is an economic system where the means of production are either owned or controlled by the state and the resource allocation, investment pattern, consumption, income distribution, etc., are directed and regulated by the state.

Socialism is quite distinct from capitalism, which is based on the institutions of private property and private enterprise. In a socialist state, there is no place for private property and private enterprise. In the socialist state, production is controlled by the state itself, which decides what to produce, how to produce, and how to distribute the total product among the population. Since there is no private capital, land, or enterprise, there is no necessity to pay interest, rent or profit. The entire national income is distributed as wages among the workers.

Historically, socialist or command economies were found in communist countries where collective goals were given priority over individual goals. Since the demise of communism in the late 1980s, the number of command economies has fallen dramatically. Some elements of a command economy were also evident in a number of democratic nations led by socialist-inclined governments. France and India both experimented with extensive government planning and state ownership, although government planning has fallen into disfavor in both countries.

While the objective of a command economy is to mobilize economic resources for the public good the opposite seems to have occurred. In a socialist economy, state-owned enterprises have little incentives to control costs and be efficient, because they cannot go out of business. Also, the abolition of private ownership means there is no incentive for individuals to look for better ways to serve consumer needs; hence dynamism and innovation are absent from command economies. Instead of growing and becoming more prosperous, such economies tend to be characterized by stagnation.

According to H. D. Dickinson, “Socialism is an economic organization of society in which the material means of production are owned by the whole community and operated by organs representative of and responsible to the community according to a general economic plan, all members of the community being entitled to benefit from the results of such socialized production on the basis of equal right.

CHARACTERISTICS OF SOCIALISM:

- 1. Government Ownership:** The major means of production are either owned by the government or their use is controlled by the government. The government directs and regulates investment allocation and production patterns in accordance with national priorities
- 2. Distribution of Income:** Socialist [system](#) aims at an equitable distribution of income. But this does not refer to perfect equity. Wage differentials are there, depending on the nature and requirements of the job.
- 3. Restriction on Occupation:** The freedom to choose any occupation is absent or restricted. The individual is restricted to choosing the occupation he is qualified for.
- 4. Central Authority:** Central authorities like the central planning agency are there to formulate the national plan for development and to direct resource mobilization, allocation,

and investment to achieve the plan targets. Socialist economies are also called command economies or planned economies for the same reason.

5. Restriction on Consumption: No consumer sovereignty is there because the state decides what may be made available to consumers, unlike the market economies where the consumers have the freedom to choose from a wide variety.

6. Social Welfare: A socialist economy has a welfare motive in contrast to the profit motive of the market economy.

7. Peaceful and Democratic Evaluation: Socialism, as distinct from communism, often advocates the peaceful and gradual extension of government ownership-revolution by ballot rather than a bullet.

8. Absence of Competition: Since the state owns all the major means of production, there is no competition between the different production units. These units are made to supplement each other.

9. Equality of Opportunity: Every member of society is given equal opportunity to rise in life. Education and training facilities are made available to all. The state provides health care and educational facilities to those who cannot afford these.

10. Classless Society Socialism is based on a classless society. There are no classes of capitalists and labor due to the absence of the institution of private property.

MERITS OF SOCIALIST ECONOMY:

1. Social Justice is Assured:

The chief merit of socialism is that it assures of social justice. Under socialism the inequalities of income are reduced to the minimum and the national income is more equitably and evenly distributed. The socialist principle provides for a fair share for all. No one is permitted to have unearned income. Exploitation of man by man to put an end to. Every individual is assured of equal opportunities, irrespective of caste, creed and religion. Every child whether he is born in a poor family or in a rich family is given an equal opportunity to develop his latent faculties through proper education and training.

2. Rapid Economic Development:

A socialist economy is likely to grow much faster than a capitalist economy. The experience of the U.S.S.R. and other socialist countries amply proved this. The main factors making for the fast growth rate is the full use of resources, scientific planning and quick decisions.

3. Production According to Basic Needs:

In this economy the production is directed to satisfy the basic needs of the people first. As far as possible, the production of food, clothing or building materials is guided by the basic needs of

the people and is not according to the purchasing power of the rich section of the society. Therefore, the phenomenon of the poor going hungry while the rich feast cannot be seen in the socialist economy.

4. Balanced Economic Development:

Economic planning is meant to carry out balanced development of the economy. All the regions of the country are taken care of. Development of the backward areas is also given a priority. Similarly, agriculture and industry, heavy and small industry develops side by side. As a result there is no lop-sided development of the economy.

5. It has Economic Stability:

Another important merit is the economic stability which a socialist economy has. A capitalist economy is often suffering from economic fluctuations resulting in lot of unemployment and wastage of resources. There is a good deal of misery among the working classes in periods of depression in a socialist economy.

A socialist economy is able to control economic instability due to the planned nature of the economy. Pure changes are taken care of under a perspective plan. Private investment is given a minor role. Therefore, there are no economic fluctuations.

6. It has More Flexibility:

A socialist economy is much more flexible than a capitalist economy because of the control on market forces. The socialist economy can be geared to war times as early as it is operated during peace-time. Rather the state having ownership of means of production can meet the needed changes much better than the slow moving market mechanism of the capitalist economy.

7. Conservation of Natural Resources:

A socialist economy has a great advantage of planning for the future. Wasteful use of the country's natural resources is a common problem in all the capitalistic economies. Private enterprise does not care for the future. A planning authority can take the interest of future generations into account by preparing plans for conservation of the country's non-renewable resources like coal, petroleum, forests and soil.

8. Equitable Distribution of Wealth and Income:

A socialist economy is operated with the aim of providing equal opportunity for all citizens in earning incomes. Generally, private property is restricted to some basic needs. There is no

amassing of wealth by a few. Wealth is also equitably distributed because private enterprise is given a limited role.

9. No Exploitation and Class Struggle:

A socialist economy can also get rid of the basic maladies of the capitalist economy. There is no question of exploitation in as much as the state determines the distribution pattern of country's income. Further the whole society is the common aim of all planning. No sections are discriminated against. There is not special favour at any class. Therefore, there is no scope for anything like the class struggle which is a characteristic of the capitalist economy.

10. Social Welfare Activities:

A Socialist Economy is oriented to the social needs. The government provides for full security. There is automatic care for the children of those who meet accidents while performing their duties. There is provision for old age pension for all. The slogan is **“to each according to his needs, from each according to his capacity.”**

Therefore, the employees in state enterprises can work without much worry. Their productivity is higher. There are no labour disputes and no wastage of resources resulting there from as is the case in a capitalist economy.

11. There is no Wastage of Competitive Advertisement:

A capitalist economy is not always able to achieve productive efficiency through competition. There is a good deal of wastage through competitive advertisement of different varieties. The consumer has to pay the price of the useless advertising. Prof. Chamberlin has tried “to show that capitalism leads to excess capacity when there is differentiation of the products.”

In a socialist economy, there is no such wastage. In the first place only those goods and services are produced which are preferred by the consumers. Secondly, if at all there is any advertising, it is only meant for information about different products to consumers.

12. Foresightedness:

A socialist economy can prepare for the future much better than a capitalist economy. Future is always uncertain. The planners take full note of the uncertainties while formulating the plan. Flexibility in planning is meant to provide for immediate changes in the plan as conditions change. Planners can anticipate some of the future changes and prepare for them so that the nation is not suddenly caught unawareness.

DEMERITS OF SOCIALIST ECONOMY:

Economists like Robbins, Maurice Dobb, Georg Halm etc. have criticised the socialist economy on the following grounds:

(i) Loss of Consumer Sovereignty:

A consumer has no choice of his own, he acts as a mere slave under this system. Government produces goods and services keeping in view the needs of the people.

(ii) Less Democratic:

Socialist economy is always less democratic as it possesses no element of freedom. It is also like government dictatorship.

(iii) No Automatic Functioning:

Under this system, no automatic function in system exists at all. It is the Central Authority, i.e., government, that governs the country according to its own interest.

(iv) Evils of Bureaucracy

In socialist economy, all economic activities are controlled by the government. Thus, they develop all evils of bureaucracy like favouritism, delay, corruption and other sue evils,

(v) Rigid Economy:

Socialist economy is very rigid and not susceptible to change according to requirements. Hence people work like a machine and never get any incentive to work.

(vi) Burden on Government:

All the economic activities are performed by the Central Authority on behalf of the government. Hence, it is overburdened with daily activities and, therefore, it gets very less time to think and plan for the economic prosperity of the economy.

(vii) Expenditure on Planning:

In fact, planning is a long process in a socialist economy. This expenditure is unnecessarily wasteful and a burden on the national economy.

MIXED ECONOMIC SYSTEM

A mixed economic system is a system that combines aspects of both capitalism and socialism. A mixed economic system protects private property and allows a level of economic freedom in the use of capital, but also allows for governments to interfere in economic activities in order to achieve social aims.

Types of Mixed Economies

- **Partial State Control** – The ownership of **factors of production** like a factory, machinery, the plant is owned by the private entities, and the government plays a regulatory role.

- **Total Government Control** – The state directly influences the functioning of the entities. The government invests its own money into the business and is solely responsible for the activities of the companies. It bears the risk of loss and owns the **profits** of the company.
- **Public-Private Control** – There is a **joint venture** between the state and private players. Western countries are the first type of mixed economy, while Asian countries like India are the second mixed economy type.

FEATURES OF MIXED ECONOMIC SYSTEMS

Present-day **economics** are asynchrony of more than two **economic systems**. The public and **private sectors** work together while vying for the same resources. Mixed economic systems do not prohibit the private sector from profiteering but impose regulatory measures on the national significance and public consumption industries. In modern-day times, the world economies are mostly mixed with socialistic and capitalistic features.

- **Coexistence of Multiple Sectors:** In this system, the three major sectors, viz. private, public, and mixed sectors, thrive together in peace. The mixed sector is jointly driven by the government and **private companies** with more than half government control.
- **Co-operatives:** In a mixed economy, there is a cooperative sector whose objective is to provide financial support to co-operative societies involved in agriculture, animal husbandry, or warehousing.
- **Freedom of Operation:** The choice to produce goods and provide services, buy **capital assets**, select professions, products, or services is given to the public but to check monopolistic forces, the government maintains state control.
- **Economic Management:** A mixed economy is a federal planning body. All sectors of the economy adhere to the economic plan of the state to fulfill various set targets. Financial planning is not rigid but acts as a common guideline for the overall prosperity and growth of the national economy.
- **Welfare of Society:** Social welfare is one of the prime targets of a mixed economy. It fights to reduce the gap between the rich and the poor by providing job opportunities and reducing poverty. The other targets are social and economic security, health care, and free or subsidized education up to high school for all.

CHARACTERISTICS OF A MIXED ECONOMIC SYSTEM

The following are the characteristics of a mixed economic system –

1. Co- Survival of Public and Private Sectors

There is a harmonious co-survival of public, private, and combined sectors. The private sector firms are profit-oriented. Private entities control production in these sectors. However, the state reserves control over such entities. Industries in the public sector are social welfare-centered entities largely controlled by government bodies. The combined sectors work in cohesion in **public-private partnerships**.

2 – Economic Planning

In a mixed economy, the government takes concern for both the public and private sectors in economic and fiscal planning, taking measures favoring both. There is just resource allocation

attempting to coincide with the productive strength of **capitalism** and the just distribution of socialism. The government policies are framed so that public companies in rural areas also provide stimulus packages, and tax relies on private companies to shop in backward regions.

3 – Safeguarding of Consumer Rights

The interests of the end consumers are protected in a mixed economy. Consumers are given enhanced freedom to buy products and services of their choice. The government regulates the prices of the products so that private groups may not exploit them.

4 – Protection of Labor Rights

The government protects the working class from exploitation by private parties. The Factories Act and The Minimum Wages Act are some of the measures taken to protect the interests of the **labor force**.

ADVANTAGES OF MIXED ECONOMIC SYSTEM

The following are the advantages of a mixed economic system –

- A mixed economy safeguards personal freedom. Under a mixed economy, people choose consumption, profession, enterprise, and thought.
- A mixed economy reduces income disparity between sections of society by providing equal opportunities for employment and education. As a result, there is almost a just distribution of national **wealth** between all country citizens, reducing the income gap.
- A mixed economy enables central planning and control. Thus, economic upheavals are avoided.
- A mixed economy helps poor economies to have fast and balanced economic development.
- There is scope for **research and development**.
- It promotes fair pricing and distribution of goods and services as government-owned bodies regulate the market. It supports proper completion and avoids **predatory pricing**.

DISADVANTAGES OF MIXED ECONOMY

The following are the disadvantages of a mixed economic system: –

- In a mixed economy, the **market equilibrium** is tough to maintain because of public and private interests.
- Problems of corruption, **Kickbacks**, black market, nepotism are prevalent in a mixed economy.
- Excessive state control in a mixed economy hinders the growth of private sector industries.

ENVIRONMENT SCANNING

In any business organization, there is an internal and external environment. They comprise all the factors that can affect the business of a company in any way. And they also present opportunities for the business to grow and threats that may harm the business. So these environments need constant monitoring. This is where environmental scanning comes into the picture.

Environmental scanning meaning is the gathering of information from an organizations internal and external environments, and careful monitoring of these environments to identify future threats and opportunities. It is the analyses of all factors that may affect the future of the organization.

Importance of Environmental Scanning

1] SWOT Analysis

As we saw previously in the environmental scanning meaning, it is a complex process. The close study of the internal and external environment of an organization will reveal some very valuable information, i.e. the strengths, weaknesses, opportunities, and threats of a company. Let us take a brief look.

- **Strength:** After analysis of the internal environment of a company, we will be able to identify the strengths that give the company a competitive advantage. The entrepreneur can use this information to maximise these strengths and earn more profits.
- **Weakness:** Study of the internal environment also point out the weaknesses of the company. For the growth and stability of the company, these identified weaknesses must be corrected without delay.
- **Opportunity:** Analysis of the external environment helps with the identification of possible opportunities. The entrepreneur can prepare to capitalize on these.
- **Threats:** Analysis of the external environment will also help in the identification of any business threats from competitors or any other factors. The company can come up with a strategy to diffuse such threats or minimize its impact.

2] Best Use of Resources

Environmental scanning helps us conduct a thorough analysis and hence leads to the optimum utilization of resources for the business.

Whether it is capital resources, human resources or other factors of production, their best use and utilization is very important for any business.

Environmental scanning will help us avoid any wastages and allow for the most effective and economical use of these resources.

3] Survival and Growth of the Business

It is a very competitive world and for any business to survive and thrive it is a difficult task. But if the business employs all the techniques of environmental scanning it can gain a significant advantage.

It will allow the firm to prepare for future threats and opportunities while at the same time eliminating their weaknesses and improving on their strengths.

4] Planning for Long Term

A business must have a plan for both short term and long term. The planning of long-term objectives can only occur after proper analysis and environmental scanning meaning. This will help the entrepreneur plan the necessary business strategy.

5] Helps in Decision Making

Decision making is the choice of the best alternative done by management. Environmental scanning allows the firm to make the best decision keeping in mind the success and growth of the business. They point out all the threats and weaknesses. And they also identify the strengths of the firm.

Types of Environment Scanning

Environment scanning can be done in two ways:

Environmental scanning is a process of obtaining information from the environment. It helps prepare an organization to exploit the business opportunity by developing a sound resource base. Further, it also assists in preparing scenarios and to adjust with changes. Environmental scanning may be done in two ways as mentioned below:

(i) Centralized Scanning

If some specific environmental components are only analyzed, it is called centralized scanning. Under this, the important components which are likely to exert considerable impact to the business are only analyzed. For example, if economic conditions are only studied, it is termed as centralized scanning. Since specific components are only scanned, this is economical. Likewise, it helps to save time as well. However, it is not a comprehensive method due to the study of specific components only.

(ii) Comprehensive Scanning

"If all the components of environment are analyzed in a detailed and micro way, it is called comprehensive environmental scanning."

Process of Environmental Scanning

Environmental scanning is a useful managerial tool for assessing the environmental trend. The following process is adopted for environmental scanning.

(a) Study the forces and Nature of the Environment

In the first step of environmental scanning, the forces of the environment that have got significant bearing in the growth and development of the business should be identified. They may be political, economic, sociology-cultural, technological, legal, physical environment and global components. After this, the nature of the environmental components is studied. The nature of environment may be simple or complex. It may also be stable or volatile. The nature of the environment affects a firm's ability to predict the future. Some business may be operating in simple environment and others in complex. When there is a high level of uncertainty and complexity in the environment, environmental scanning becomes more critical.

(b) Determine the sources of Information

After studying the process and nature of the environment, the sources of collecting information from the environment should be determined. There are different sources through which information on business environment

After determining the sources of information the approach of environmental analysis should be determined. There are mainly three approaches to environmental scanning. They are:

- **Systematic approach:** Under this approach, a systematic method is adopted for environmental scanning. The information regarding market and customer, government policy, economic and social aspects are continuously collected. In other words, the environment is monitored in a regular way. The timeliness and relevance of such information enhances the decision making capacity of the management.
- **Ad-hoc Approach:** Under this, specific environmental components are only analyzed through survey and study. Ad-hoc approach is useful for collecting information for specific project, evaluating the strategic alternative or formulating new strategies. It is not a continuous process.
- **Processed form approach:** Under this, the information collected from internal and external sources are used after processing them. Normally, the information obtained from secondary sources are processed and used as per the requirements of the business.

(d) Scan and Assess the Trend

This is the final step of environmental scanning process. It involves a detailed and micro study of the environment to identify the early signals of potential changes in the environment. It also detects changes that are already under way and shows the trend of the environment. The trend should be assessed in terms of opportunities and threats.

ENVIRONMENTAL ANALYSIS

Organizations can use an environmental analysis to uncover both internal and external factors. This could have a beneficial or negative impact on their company. Businesses can identify possible opportunities and challenges by analyzing factors such as the economy and technology.

Several factors come to mind when analyzing what makes a business successful. It's all about the resources. However, the environment in which the business operates or exists also has a significant impact.

An environmental analysis is a strategic technique used to identify all internal and external factors that could affect a company's success. Internal components reveal the strengths and shortcomings of a company, while external components represent the opportunities and risks. This exists outside of the company

What are the benefits of environmental analysis?

Environmental evaluations help organizations in detecting potential effects. That could pose a hazard or an opportunity. This assists them in anticipating changes in their environment.

- Predicting the future
- Recognizing threats and allowing them to develop a response strategy
- Assisting in the achievement of business goals
- Increasing organizational effectiveness

What is the environmental analysis procedure?

The following are the steps in the environmental scanning process:

DETERMINE THE EFFECTS ON THE ENVIRONMENT

To begin an environmental analysis, select environmental factors evaluating. Your industry determines this. For example, if you work in a medical facility, you might want to think about legal implications. Regulations managing healthcare experience and safety, for example. Choose factors that have the potential to influence how you make deals.

Obtain information

Collect information about your chosen environmental factors once you've decided which ones to evaluate. You can observe your factors and conduct research here. There are two types of information to gather: verbal and written data.

Hearing is how people obtain verbal information. As an example, consider listening to a radio broadcast. They obtain written information from sources such as newspapers and magazines. Using the preceding example, this would involve conducting research online and in medical magazines.

It will assist you in determining whether or not there have been any changes to health and safety regulations because this may have an impact on your health care facility.

Consider your competitors

You may want to gather information about your competitors. To see if they pose any threats. You can accomplish this by employing a technique known as spying. This involves unusually gathering information. Using the same example, you could spy on a nearby health facility to learn about recent activity.

Examine your strategies

Finally, evaluate your present and prospective strategies to determine how future environmental changes will impact your organization. This assists you in resolving potential issues.

These factors could have been to blame. For example, the health facility may wish to develop a new strategy. It will clearly show how they aim to deal with the decrease in clients caused by their competitor's new branch.

STEPS TO CONDUCT ENVIRONMENT ANALYSIS

1. Understand all the environmental factors before]
2. moving to the next step. Collect all the relevant information.]
3. Identify the opportunities for the organization.]
4. Recognize the threats the company faces.]
5. The final step is to take action.]