

UNIT-1- L&BE

Unit-I

Introduction: Concept of Business Environment-Definition-Characteristics-Environmental factors, Importance at national and international level – problems and challenges

Environmental Scanning: Importance, Process of scanning

NITI Aayog: It's Role in Economic Development of India

Technological Environment: Features, Its impact on Business, Restraints on Technological Growth.

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Meaning of Environment:

- It is the sum of all living and nonliving things that surround an organization or group of organizations. Environment includes all elements factors & conditions that have some impact on the growth & development of certain organism.

Meaning of Business Environment:

- Business environment refers to all those internal & external factors that influence on the business. It includes number of factors which influence on the business. some factors are favorable, some factors are neutral.
- Business environment is a set of both internal and external factors like suppliers, customers, competitors, technological, socio-economic, etc., these factors are influence the business activities.

Definition:

- According to **William F. Glucck**, “business environment as the process by which strategists monitor the economic, governmental, market, supplier, technological, geographic and social settings to determine opportunities and threats to their firms”.

Characteristics of Business Environment

Seven essential characteristics of business environment are:

1. Totality of External Forces
2. Specific and General Forces
3. Inter-Relatedness
4. Dynamic Nature
5. Uncertainty
6. Complexity
7. Relativity!

Importance of international business environment

International business has many advantages and benefits for a Production or manufacturing company. With local markets being saturated, many companies think of expansion via international business. So the question which pops up is – What is the importance of international business and what are the benefits of International business? Let us discuss the same.

- 1) Market expansion**
- 2) Non-availability of product in new market**
- 3) Cost advantage**
- 4) Product Differentiation**
- 5) Economic recession in one's own country**
- 6) Loss of Domestic market share**
- 7) Growth in Demand in other markets**
- 8) Excess capacity of Production**

Environmental factors (OR) COMPONENTS/TYPES/ELEMENTS OF BUSINESS ENVIRONMENT:

Types of Business Environment

Internal Environment		External Environment	
✓ M an(Human resource)		Micro Environment	Macro Environment
✓ M oney(Financial resources)			
✓ M achinery (Physical resources)	✓ Customers	✓ P olitical	
✓ M arketing resources	✓ Employees	✓ E conomical	
✓ M arket structure and nature	✓ Suppliers	✓ T echnical	
✓ R&D	✓ Share holders	✓ L egal	
✓ Company Image		✓ E cological	
✓ Brand Equity	✓ Media	✓ G overnmental	
✓ Value system			
✓ Competitive advantage	✓ C ompetitors	✓ S ociological	

Business Environment Problems

The following are problems of business Environment.

- Economic and market conditions
- Customers need and demand
- Competitors
- New opportunities or Threats
- Changing Government or Economic policies
- Varying labor and raw material cost.

Problems Facing by Indian Economy

- Unemployment.
- Poor educational standards.
- Poor Infrastructure.
- Balance of Payments deterioration.
- High levels of private debt.
- Inequality has risen rather than decreased. ...
- Large Budget Deficit.
- Rigid labor Laws.

Challenges of Business Environment

- Uncertainty about the future.
- Financial management.
- Monitoring performance.
- Regulation and compliance.
- Competencies and recruiting the right talent.
- Technology.
- Exploding data.
- Customer service.

Environmental Scanning

- Environmental scanning is the ongoing tracking of trends and occurrences in an organization's internal and external environment that bear on its success, currently and in the future. Effective environmental scanning examines both quantitative and qualitative changes.
- In any business organization, there is an internal and external environment. 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.
- A SWOT analysis is a strategic balance sheet of an organization which examines the strengths, the weaknesses, the opportunities, and the threats facing an organization. It is one of the cornerstone analytical tools to help an organization develop a preferred future.
- Environmental Scan, an examination of the external and internal environments. Industry environment: new entrants, suppliers, buyers, product substitutes, intensity of rivalry, position of the firm in the industry.

Benefits

- Information collected and analyzed during the environmental scanning process allows organizations to make informed decisions about the overall health of their organizations.
- Examining the external and internal environment allows organizations to identify strengths, weaknesses, opportunities, and threats.
- In generating a business idea, it is important to scan the environment and market because it affects the firm's ability to build and maintain successful relationships with customers.
- Its importance is to help the management to determine the future direction of the business.

Importance of Environmental Scanning

Environmental analysis will help the firm to understand what is happening both inside and outside the organization and to increase the probability that the organizational strategies developed will appropriately reflect the organizational environment.

Environmental scanning is necessary because there are rapid changes taking place in the environment that has a great impact on the working of the business firm. Analysis of business environment helps to identify strength weakness, opportunities, and threats. SWOT analysis is necessary for the survival and growth of every business enterprise.

- 1. Identification of strength:**
- 2. Identification of weakness:**
- 3. Identification of opportunities:**
- 4. Identification of threat:**
- 5. Optimum use of resources:**
- 6. Survival and growth:**
- 7. To plan long-term business strategy:**
- 8. Environmental scanning aids decision-making:**

Process of Environmental Scanning

Process of Environment Scanning



TECHNOLOGICAL ENVIRONMENT



Introduction

- ▶ Technological Environment means the development in the field of technology which affects business by new inventions of productions and other improvements in techniques to perform the business work.
- ▶ Technological environment consists of external factors in technology that impact business operations.
- ▶ Changes in technology affect how a company will do business.
- ▶ Examples of technological changes are seen in aviation, electronics, energy, communication, consumer goods industry, optics, medicines and manufacturing.

What is Technology?

- ❖ Technology is about application of tools, methods and techniques to improve production and processes.
- ❖ Technology is the collection of techniques, skills, methods, and processes used in the production of goods and services or in the accomplishment of objectives. Such as scientific investigation.
- ❖ *Technology is the usage and knowledge of tools, techniques, crafts, systems or methods of Organisation.*
- ❖ Bigwood suggests this definition "perfectly describes the concept of technology as a bridge between science and new products."
- ❖ According to J.LGalbraith defines "technology as a scientific application of systematic or other or organized knowledge to practical tasks".

Levels of Technology:

--Manual Technology:

--Mechanized Technology:

--Automated Technology:

--Computerized Technology:

--Robotized Technology:

Technological factors include:

- **Maturity of technology**
- **Innovation potential**
- **Technology development**
- **Technology legislation**
- **Technology access, licensing and patents**
- **Intellectual property issues**
- **The technological environment refers to external factors in technology that impact business operations.**
- **Changes in technology affect how a company will do business. A business may have to dramatically change their operating strategy as a result of changes in the technological environment.**

Impact of technology on business

- **Customer relations:**
- **Business operations:**
- **corporate culture:**
- **Security:**
- **Research opportunities:**
- **Corporate reports:**
- **Industrial productivity:**
- **Business mobility:**
- **Reducing business cost:**
- **Improving communication:**

Management of technology

- **Reduced costs of operations:**
- **New product and new market creation**
- **Adaptation to changes in scale and format:**
- **Improved customer service:**
- **Continuous development of technology:**

Interface between technology and business

Social implementation

- Technology reaches people through business.
- High expectation of consumers.
- System complexity.
- Social change.
- Social system.

Economic implications

- Increase productivity.
- Need to spend on research and development.
- Jobs tend to become more intellectual.
- Problem of techno-structure.
- Need for bio-professional and multi-professional.
- Increase regulation and stiff opposition.
- Rise and decline of products and organisation.
- Business boundaries redefined.

Plant level implications

- **Technology and organisation structure.**
- **Fear of risk.**
- **Resistance to change.**
- **Total quality management (TQM).**
- **Business process re-engineering.**
- **E-commerce and e-business.**
- **Flexible manufacturing system (FMS).**

NITI Aayog in India

Introduction to NITI Aayog

- NITI Aayog (National Institution for Transforming India) is the policy think tank of the Government of India, established in 2015, replacing the Planning Commission. It plays a key role in shaping economic policy, fostering innovation, and driving sustainable development in India.
- **Establishment:** NITI Aayog was formed on January 1, 2015, to replace the Planning Commission, which had been operational since 1950.
- **Purpose:** It aims to foster cooperative federalism by engaging states in policy development. It also serves as a platform for knowledge sharing between the central and state governments.

A policy think tank of the Government, the NITI Aayog means:

- A group of people that the Government entrusts for formulating and regulating policies concerning the transformation of India.
- A Commission assists the Government in both social and economic issues.
- An institution with experts
- A body that actively monitors and evaluates the implementation of the Government's programs and initiatives.

Features of NITI Aayog

1. Decentralized Planning

- NITI Aayog promotes a bottom-up approach to planning, giving states greater autonomy in developing and implementing policies tailored to their specific needs.
- Unlike the Planning Commission, which imposed top-down plans, NITI Aayog encourages states to participate in the policy-making process and collaborate with the centre.

2. Cooperative Federalism

- One of NITI Aayog's core principles is cooperative federalism, where the central and state governments work together to achieve national goals.
- It fosters collaboration between the centre and states, ensuring that policies reflect the diverse needs of different regions and improve state-level governance.

3. Policy Think Tank

- NITI Aayog serves as the government's premier policy think tank, providing strategic advice and technical expertise on a range of national and international issues.
- It is not only involved in planning but also acts as a knowledge hub, conducting research and offering insights on various sectors like agriculture, health, education, infrastructure, and more.

4. Focus on Innovation and Technology

- NITI Aayog promotes innovation and technology as key drivers of economic growth. Initiatives such as the Atal Innovation Mission (AIM) and the National Strategy for Artificial Intelligence (AI) highlight its commitment to fostering technological advancements and entrepreneurship.
- It works to integrate cutting-edge technologies, such as AI and digital infrastructure, into national development strategies.

5. Evidence-Based Policy Making

- NITI Aayog emphasizes evidence-based policy making, using data and metrics to design and implement strategies.
- Its initiatives like the Aspirational Districts Programme and SDG- Sustainable Development Goals- India Index use data analytics and real-time tracking to monitor progress, allowing for course correction and improvement in government schemes.

6. Monitoring and Evaluation

- NITI Aayog is tasked with monitoring and evaluating the performance of government schemes and programs. Through the Development Monitoring and Evaluation Office (DMEO), it tracks the success and impact of key initiatives and suggests improvements.
- The organization helps in identifying bottlenecks and inefficiencies in the execution of various government policies.

7. Advisory and Consultative Role

- Unlike the Planning Commission, which had a mandate to allocate funds, NITI Aayog serves more as an advisory body, offering technical advice to the central and state governments.
- It works with various ministries, states, and experts to ensure that policies are grounded in evidence and are feasible to implement.

8. Holistic Development Focus

- NITI Aayog focuses on inclusive development, addressing the needs of marginalized and underdeveloped areas. Programs such as the Aspirational Districts Programme aim to bring comprehensive improvements in health, education, agriculture, and basic infrastructure in the least developed regions.
- It also aligns national policies with global development agendas, particularly the Sustainable Development Goals (SDGs).

9. Flexibility and Agility

- NITI Aayog is designed to be flexible and agile in responding to new challenges and changing economic circumstances. Its structure allows it to create task forces and committees on emerging issues, making it a more dynamic institution than the Planning Commission.
- It can quickly formulate strategies for addressing issues like climate change, disaster resilience, and economic recovery.

10. Collaborative Framework

- NITI Aayog works closely with multiple stakeholders including state governments, the private sector, academia, civil society, and international organizations.
- It often invites experts and industry leaders to collaborate on national projects, ensuring that policies are well-rounded and take into account diverse perspectives.

11. Emphasis on Sustainable Development

- NITI Aayog emphasizes policies that promote sustainable development in line with the United Nations Sustainable Development Goals (SDGs).
- It tracks India's progress on various SDG indicators and helps states formulate policies for environmentally sustainable growth, climate resilience, and green energy solutions.

12. Promoting Competitiveness among States

- NITI Aayog publishes performance-based rankings in sectors like health, education, water management, and digital transformation to promote competitiveness among states. For instance:
- ***Health Index***: Ranks states based on healthcare delivery.
- ***School Education Quality Index (SEQI)***: Assesses the quality of school education in states.
- ***Composite Water Management Index***: Tracks the performance of states in managing water resources.

13. Sectoral Focus

- NITI Aayog has divisions focusing on specific sectors such as health, education, agriculture, water, energy, and infrastructure. Each division works with respective ministries, providing specialized inputs and coordination for national-level strategies.
- It also focuses on cross-sectoral issues like digital transformation, rural development, and governance reforms.

14. Encouraging Privatization and Public-Private Partnerships

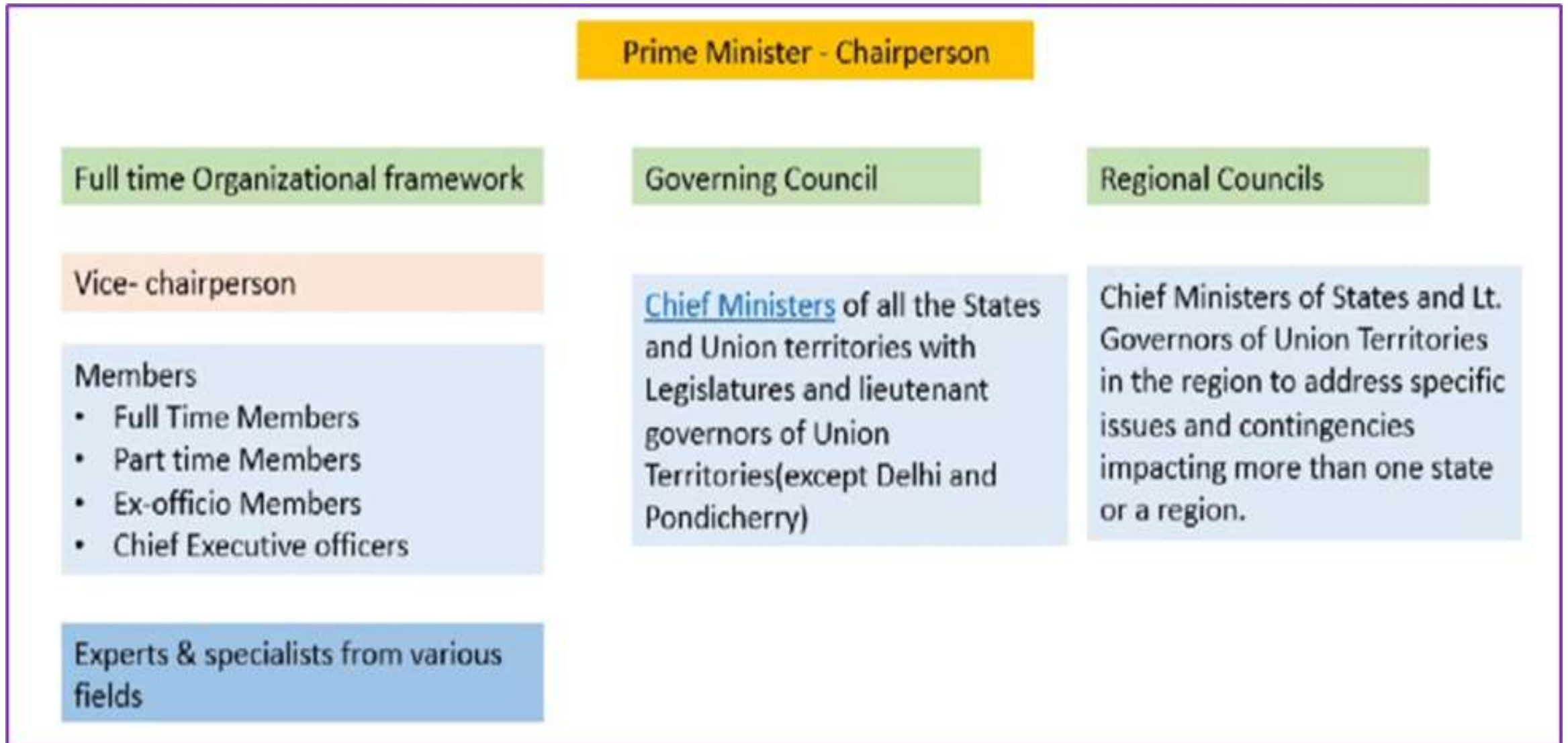
- NITI Aayog plays a role in encouraging privatization of public-sector enterprises and the promotion of public-private partnerships (PPPs) in areas like infrastructure and social sectors, to increase efficiency and investment.

15. Long-term Strategic Vision

- NITI Aayog formulates long-term strategic documents, such as the Strategy for New India, which outlines India's development goals for 2022 and beyond.
- These strategic documents emphasize economic growth, job creation, skill development, infrastructure enhancement, and governance reforms.

Through these features, NITI Aayog has emerged as a forward-thinking, flexible, and inclusive institution that drives India's economic, social, and technological development, while encouraging participation from all levels of government and society.

NITI Aayog structure



1. Chairperson

- Prime Minister of India: The Prime Minister serves as the chairperson of NITI Aayog and provides overall leadership.

2. Vice-Chairperson

- Appointed by the Prime Minister.
- Typically, an eminent economist or policy expert responsible for directing the Aayog's work.
- Functions as the operational head and is responsible for the day-to-day functioning of the organization.

3. Governing Council

- Comprises Chief Ministers of all states and Lieutenant Governors of Union Territories.
- It is a key body that reflects cooperative federalism, allowing the states to actively participate in national decision-making processes.

4. Regional Councils

- Formed on a need basis to address specific regional issues or development needs.
- Comprises Chief Ministers of respective regions and key central government ministers.
- The focus is on regional cooperation and resolving inter-state issues.

5. Full-time Members

- Typically experts from various sectors (economists, scientists, social activists) who serve full-time at NITI Aayog.
- They provide sector-specific insights and contribute to policy making.

6. Part-time Members

- These members are experts and specialists from relevant fields who work with NITI Aayog part-time.
- They bring their specialized knowledge and insights into various policy areas.

7. Ex-officio Members

- Four members of the Union Council of Ministers are appointed as ex-officio members of NITI Aayog by the Prime Minister.
- Their role is to provide coordination between NITI Aayog and different ministries of the central government.

8. Chief Executive Officer (CEO)

- Appointed by the Prime Minister.
- The CEO is responsible for overseeing the day-to-day operations and execution of the strategies formulated by NITI Aayog.
- The CEO is usually a senior official from the Indian Administrative Service (IAS) and holds the rank of Secretary to the Government of India.

9. Special Invitees

- The Prime Minister can invite eminent experts and specialists as special invitees for specific discussions or deliberations.
- These invitees bring specialized knowledge from areas such as industry, academia, and civil society.

Major decisions taken by NITI Aayog till now in India

1. Abolition of Planning Commission and Establishment of NITI Aayog (2015)

- The decision to replace the Planning Commission with NITI Aayog marked a shift from centralized planning to a more decentralized, consultative, and cooperative approach. The move emphasized cooperative federalism and involved state governments in policy-making.

2. Aspirational Districts Programme (2018)

- Launched to improve the socio-economic conditions of 112 of India's most backward districts, focusing on five key areas: health and nutrition, education, agriculture and water resources, financial inclusion, and basic infrastructure.
- The program uses a data-driven approach to track and improve development indicators in real-time, significantly boosting these districts' development.

3. Atal Innovation Mission (AIM)

- NITI Aayog established AIM to promote a culture of innovation and entrepreneurship. Under AIM, several initiatives have been launched:
- **Atal Tinkering Labs:** Introduced in schools across India to encourage problem-solving, critical thinking, and innovation among students.
- **Atal Incubation Centres:** Support startups and entrepreneurs by providing resources and mentoring.
- **Atal New India Challenges:** Identify innovations with commercial potential to solve major social issues in India.

4. National Health Stack (NHS) and Ayushman Bharat (2018)

- NITI Aayog played a crucial role in the conceptualization of Ayushman Bharat, the world's largest healthcare program, which provides health insurance coverage to over 500 million people.
- It also proposed the National Health Stack (NHS), a digital infrastructure aimed at transforming the healthcare delivery system by integrating health records, insurance claims, and diagnostic services.

5. National Nutrition Strategy (2017)

- Launched the National Nutrition Strategy to tackle malnutrition and stunting among children. The strategy laid the groundwork for improving maternal and child nutrition.
- It led to the creation of POSHAN Abhiyaan, India's flagship program to improve nutritional outcomes by addressing key issues such as anemia and malnourishment in women and children.

6. Electric Mobility and National Electric Mobility Mission Plan (NEMMP)

- NITI Aayog spearheaded India's push towards electric mobility, aiming to have 30% of vehicles electric by 2030.
- It played a crucial role in launching initiatives like FAME II (Faster Adoption and Manufacturing of Electric Vehicles) to incentivize the adoption of electric vehicles and reduce the country's dependence on fossil fuels.

7. Strategy for New India (2018)

- NITI Aayog released a comprehensive blueprint for New India, focusing on economic growth, infrastructure development, and social inclusion.
- The report outlines strategic goals to make India a \$5 trillion economy by 2024-25, improve healthcare, education, and enhance governance.

8. Agriculture Reforms and Doubling Farmers' Income

- NITI Aayog played a pivotal role in shaping agricultural reforms aimed at doubling farmers' income by 2022. It provided a policy framework for reforms in agriculture marketing, crop diversification, and the introduction of new technologies.
- The Model Agriculture Land Leasing Act and reforms in Agricultural Produce Market Committees (APMC) were initiated under its guidance to free up farm trade and encourage private investment in the agricultural sector.

9. Digital Transformation Initiatives

- NITI Aayog was instrumental in developing and promoting initiatives under the Digital India program:
- The India Stack initiative, including the Unified Payments Interface (UPI), has revolutionized digital payments in India, making it easier for millions to access financial services.
- The Aadhaar integration in various services, providing a digital identity for over a billion people.

10. Sustainable Development Goals (SDGs) Index

- NITI Aayog introduced the SDG India Index to track the performance of states and Union Territories in achieving the Sustainable Development Goals (SDGs). The index encourages states to adopt best practices and work toward achieving social, economic, and environmental targets.

11. National Strategy for Artificial Intelligence (AI) (2018)

- NITI Aayog launched AI for All, a strategy to harness the power of Artificial Intelligence (AI) for inclusive growth and to address challenges in agriculture, healthcare, education, and governance.
- It outlined a roadmap to position India as a global leader in AI, emphasizing ethical AI development and capacity building in AI technology.

12. Development of Island and Coastal Areas

- NITI Aayog worked on developing a comprehensive framework for the holistic development of India's islands and coastal areas to boost tourism, economy, and sustainable infrastructure.

13. Coalition for Disaster Resilient Infrastructure (CDRI)

- NITI Aayog played a part in the formation of the Coalition for Disaster Resilient Infrastructure (CDRI), an international coalition aimed at promoting disaster-resilient infrastructure in vulnerable regions.

14. Performance Ranking of States on Health, Education, and Water

- NITI Aayog introduced performance-based rankings to encourage states to improve their performance in key areas such as health, education, and water management.
- The Health Index, School Education Quality Index (SEQI), and Composite Water Management Index track the performance of states and encourage reforms.

15. Privatization of Public Sector Enterprises (PSEs)

- NITI Aayog played a crucial role in identifying and recommending public sector enterprises for privatization, as part of the government's larger disinvestment and privatization strategy to boost efficiency and reduce fiscal burden.

National high ways (PPP)	Cheyuta	
Telecom	Suraksha	Atal Incubation
Janadhana yojana	Bhageeradha	Make India
Rytu bhandu	Rytu bazar	National Institutes
Angan wadi (Kids+mothers)	Dwacra	State institutes
Floride water	UPI	Foreign education
Water sheds	Kiosk banking	108
CC roads	Aadhar linked transactions	Space research
Toilets	Agri inputs subsidies	Aarogya sree
NEP	Rytu bharosa	GST
Sachivalayam	Clean and green	Secular system
Volunteer	MSME's	Free education
Article 370	Pukka houses	Free power
Surgical strikes	LPG	

Differences between the Planning Commission and NITI Aayog:

Feature	Planning Commission	NITI Aayog
Establishment	1950, by a Cabinet Resolution under the Nehru government.	2015, by a Cabinet Resolution under the Narendra Modi government.
Purpose	Centralized planning and allocation of resources through Five-Year Plans.	To promote cooperative federalism and facilitate participatory development.
Type of Body	Executive body, responsible for formulating Five-Year Plans.	Policy think tank, advisory body with no power to allocate funds.
Structure	Consisted of a Chairman (Prime Minister), Deputy Chairman, and full-time members.	Consists of a Chairman (Prime Minister), Vice-Chairman, and part-time members.
Approach	Top-down approach to planning, with central control.	Bottom-up approach, emphasizing cooperative federalism with participation from states.

Plan Formulation	Prepared Five-Year Plans to guide economic and social development.	Replaced Five-Year Plans with policy guidance and monitoring. No fixed-term plans.
Fund Allocation	Had the power to allocate funds to central ministries and state governments.	No power to allocate funds; works as an advisory body on strategic issues.
Role of States	Limited involvement of states; primarily central planning.	Greater role for states through the Governing Council, promoting state-level participation.
Focus Areas	Emphasis on industrialization, public sector, and economic growth.	Focuses on sustainable development goals (SDGs), innovation, digital India, and inclusive growth.
Decision-Making	Centralized decision-making, with states having little autonomy in planning.	Decentralized decision-making, encouraging states to craft and implement policies.
Performance Evaluation	Limited emphasis on performance monitoring and evaluation.	Strong focus on real-time data and performance evaluation using the Development Monitoring and Evaluation Office (DMEO).
Innovation & Technology	Less focus on innovation, with an emphasis on traditional sectors.	High emphasis on innovation, technology-driven governance, and startups through initiatives like the Atal Innovation Mission.
Global Engagement	Primarily focused on internal economic planning.	Engages with global think tanks, international organizations, and institutions for policy collaboration.

Key Differences in Philosophy:

- **Planning Commission:** A **centralized** planning authority focusing on long-term five-year plans for resource allocation and socio-economic development.
- **NITI Aayog:** A **decentralized** and **advisory** body that fosters cooperative federalism, where states have more autonomy, and the focus is on continuous monitoring and real-time feedback, rather than rigid planning structures.
- This transition reflects India's shift from centralized, rigid planning to a more flexible, dynamic approach aimed at fostering innovation, regional cooperation, and rapid policy formulation based on current needs.