

BUSINESS ENVIRONMENT:

INTRODUCTION OF BUSINESS

Q-1. Define term Business.

Business is one useful economic as well as social activity. It is closely related to our personal and social Life. It provides goods and services regularly for the satisfaction of human wants and also for raising social welfare. It refers to commercial activities aimed at making a profit through production and marketing. Business is consumer and service oriented. In short it is the material welfare of the society.

Q-2. What is Business? Explain Its Nature?

“Business is an organized activity to identify, anticipate, and to produce and supply customer requirements efficiently and profitably in the interest of all those who are connected with it”

Nature of business has distinct features as

1. Organized activity:

To satisfy customer wants it must:

- a. Identify customer problems or needs and wants.
- b. At times, anticipate customer problems, or wants.
- c. Produce or supply goods and services.
- d. Monitor customer satisfaction
- e. Modify existing products, if required.

2. Profit Motive:

The primary objective of any business is to earn profit. In today's business world, a firm can gain profits only through cost – cutting measures and by delivering superior value to customers.

3. Degree of scale:

The degree of scale of business varies depending on factors like availability of finance , capacity to bear risks, business policy of the firm, competition in the market and soon.

4. Regularity in Dealings:

A single or rare act of buying and selling cannot be called as business activity.

Regularity in dealings is a term and depends upon the nature of activity, time and many factors.

5. Risks and uncertainties:

Risks are due to

- a. Changes in fashion, tastes and preferences of customers.
- b. Changes in government policies.
- c. Recession in the economy
- d. Changes in technology
- e. Damage in goods due to fire, natural calamities, civil riots, etc.

6. Societal interest:

Business firms make effort to preserve and promote customers' and society's well being. Business units try to achieve a balance between: Profits, Consumer Satisfaction, and Public Interest.

7. Social Responsibility:

- a. Employees –by providing better wages, working conditions, welfare facilities, etc.
- b. Customers-by providing better quality of goods and services at right prices.
- c. Government-by paying proper taxes and duties.
- d. Shareholders-by adopting fair business practices.
- e. Society-by sponsoring education, sports, culture, etc.

8. Business functions:

The functions include:

- a. Production activities, such as product research & development, quality control, material management, and so on.
- b. Marketing activities such as marketing research, pricing, promotion, distribution, customer relationship, after-sale-service, and so on.

9. Customer Satisfaction:

Business firms place emphasis not only on profit motive but also on customer satisfaction. Customers would be satisfied only when the product performance matches with their expectations.

10. Creative and dynamic:

Modern business is creative in nature. Business firms need to come up with creative ideas to produce and distribute consumer goods and services. There is always a scope for improvement.

11. Government control:

- a. Indian Companies Act, 1956,
- b. The Environment Act 1986,
- c. Foreign Exchange Management Act 1999,
- d. The Companies Act, 2002.

Q-3. What is the importance of business to business firms?

The significance of business to business firms can be interpreted from the view point of individual participants in business activities and from the viewpoint of a firm as a whole.

1. Accomplishment of objectives:

By producing quality goods and services that satisfy customers' needs and wants, a firm can increase its sales.

2. Product development:

Business activities like marketing research, and product research and development enable a business firm to undertake product development.

3. Social status:

Businessmen enjoy a better status in the society. The society status can act as a motivating factor to undertake sound business practices.

Q-4. What is importance of business to consumers?

“No customer, No business” is true in this sense.

Consumer needs business for the satisfaction of their wants and also for higher standard of living.

The relationship between business and consumers is close as there is interdependence between them. Both play a supportive role. The relations between business and consumers need to be friendly for the benefit of both.

“Consumer is the most important person in business.”

“Business leads to progress and prosperity of a country”.

Q-5. What is importance of business to society?

Business is very close to society and plays a positive role for raising social welfare. Business provides goods and services to society regularly and contributes positively for raising social welfare. It promotes industrial and economic growth of a country. Business

provides financial support to education public health, rural development, promotion of sports and cultural activities, removing of poverty. The relation between business and society need to be close and cordial as society depends on business for its orderly and happy life. Society supports business as it is useful for smooth and orderly social life

Q-6. Explain changing concept of business?

The changing concept of business includes:

a. Producer oriented concept:

The profit orientation concept holds that:

1. The customers will favor or buy those products that are widely available and are low in cost.
2. A business firm exists to undertake activities of production and distribution for a profit.

Reasons for producer oriented Concept:

1. Lack of competition.
2. Lack of professionalism in business.
3. Low consumers' expectation.

b. Customer oriented concept:

This concept holds that:

1. The key to achieving business objectives consists of identifying the needs and wants of target customers, and then satisfying

their needs and wants more efficiently and effectively than the competitors.

Reasons for customer oriented concept:

1. Increase in competition.
2. Professionalism in business.
3. Growing customer expectations.

c. The Societal Concept:

This concept holds that the organizational task is to:

1. Determine the needs, wants, and interests of targets customers.
2. Deliver the desired satisfactions more efficiently and effectively than competitors, and
3. Preserve and enhance customers' and society's well being.

Reasons for Societal oriented concept:

1. Growing concern for environment.
2. High degree of professionalism in business.
3. Technological developments to produce eco-friendly goods.

Q-7. Explain in detail business functions?

1. Production Function:

Production means conversion of raw material into finished product.

Production function relates form utility. Within the production department, there are various sub-functions, which include:

1. Production planning and control.

2. Maintenance of plant and machinery.
3. Quality control.
4. Implementing production targets, etc.

2. Purchase & store keeping:

Some of the important functions of materials management are as follows:

1. Material planning
2. Purchasing
3. Store keeping
4. Issuing of materials
5. Monitoring inventory of materials, semi-finished and finished products.

3. Marketing function:

Marketing involves several sub-functions such as:

1. Marketing Research.
2. Marketing Information System.
3. Product pricing.
4. Product promotion.
5. Product packaging
6. Product positioning, etc.

4. Sales Function:

In large firms, there can be a separate department to look after sales. The sales department works in close co ordination with the

marketing department. The sales department is concerned with the selling activities of the firm. It receives or books orders from dealers or customers, and distributes the goods through the distribution channels.

5. Finance Function:

Some of the important finance functions are:

- a. Determining the right sources of funds.
- b. Application of funds.
- c. Proper management of working capital.
- d. Proper management of fixed capital, etc.

6. Personnel Function:

Personnel management is concerned with the management of people in the organization. Various sub-functions of personnel management includes:

- a. Manpower planning.
- b. Recruitment and selection.
- c. Training of manpower.
- d. Performance appraisal.
- e. Compensation plans
- f. Promotions and transfers.

7. Research and development:

R & D department plays an important role in product development.

It helps to bring out product modifications, and product

innovations. In today's business, firms need to allocate a good amount of money for R & D firms need to allocate a good amount of money for R & D activities.

8. Public Relation:

There is a need to maintain good public relations with the various sections of the public. Therefore, it makes a good sense to maintain separate department to look after public relations, especially in the case of large firms.

BUSINESS OBJECTIVES

Q-1. Bring out reconciliation between economic and social objectives?

The economic and social objectives can be reconciled as under:

1. Profit and consumer Price: A business firm should not aim only at making profits. Profits should not be earned by charging unreasonable prices to the consumers.
2. Profit and research and Development: A firm needs to earn profit. A part of the profit needs to be invested in R & D. This would help the firm to improve the quality.
3. Profit and After-Sale-Service: A part of the profit must be spent in training the after-sale-service work force. Additional after-sale-service work force may be appointed by the firm to provide better service to the customers.

4. Profit and Employees welfare: Firms make profits due to the efficiency of its work force.
5. Profit and taxes: A business firm should provide a true picture of its profits. It should pay properly its taxes and duties to the government authorities.
6. Profit and Shareholders Interest: the top management should avoid manipulating the profits for their own interest. The interest of the shareholders must be considered in the distribution of profits.
7. Profit and social Development: A part of to profit must be utilized for social development activities like donations to schools, colleges, trusts, etc...
8. Business expansion and Social Interest: business expansion should not be undertaken only to make profits but also in the interest of the society, such as employment generation, better customer service etc.
9. Business Expansion and competition: Expansion of business is possible through promotion activities like advertising, sales promotion; etc. A business firm should not adopt unethical practices to spoil the name of competitors.
10. Business expansion and Suppliers: A firm needs support of suppliers' expansion plans. It should not try to exploit the suppliers.

Q-2. Write a note on National Objectives:

1. **Social Justice:** it means providing equal opportunities to all, protecting the interest of neglected, unorganized and economically backward sections of the society and prevention of any sort of exploitation.
2. **Development of small scale industry:** Small – scale industries are useful in many ways. They are flexible, require less capital and generate more employment.
3. **Production as Per National Priorities:** Business should consider the national priorities and then produce such goods, which are needed by majority of people. It should utilize the valuable resources to cater to the needs of majority rather those who considered a fraction of the society.
4. **Self-Sufficiency:** Every business enterprise should make use of available natural resources and manpower for economic development.
5. **Development of Backward Area:** It can be done by setting up industries in backward areas. Large Business firms may also provide financial and technical assistance to units in backward areas.
6. **Social Welfare:** The welfare scheme would involve.
 - a. Adopting schools in backward areas.

- b. Providing funds for rural development activities such as construction of roads, irrigation, etc.
 - c. Organizing health camps, etc.
7. Creation of Employment Opportunities: Employment facilities can be provided directly or indirectly. Directly employment can be generated within the firm itself. Indirect employment can be generating by encouraging small scale units, cottage industries and other self-employment projects.
8. National Integration and Communal Harmony: Business firms are referred as corporate citizens. They should work for national integration and communal Harmony.

Q-3. Write a note on Human Objectives.

1. Fair Wages: They should be treated with respect and honor. Employees should be paid wages on the basis of “equal work, equal pay”.
2. Better working conditions: Good lighting, ventilation, good recreation facilities, and better labor management relations etc. provide healthy work atmosphere.
3. Workers’ Participation in Management: Worker’s participation in management. This enables both employees and managers to understand each other problems and improve relations and helps

to remove the air of mis-trust and doubts and develops confidence.

4. Human Resource Development: Proper training and development, promotion and transfers, it is possible to acquire new skills and knowledge.
5. Job Satisfaction: It's more challenging and interesting through techniques like enlargement, job enrichment and job rotation. Sometimes promotions and transfers can also be used to bring job-satisfaction.
6. Welfare Facilities: Welfare facilities include:
 1. Transport facilities
 2. Canteen facilities
 3. Sports and recreation facilities, etc.

Q-4. Write a note on Social Objectives.

“Duties and responsibilities of business towards investors, employees, consumers, dealers, suppliers, government and the general public”

1. Social objectives Towards Employees:
 - a. Payment of right wages and incentives.
 - b. Providing good working conditions
 - c. Conducting proper performance appraisal.
 - d. Provision of training.
 - e. Opportunities for promotions, etc.

2. Social objectives Towards Customers:

- a. Supplying right quality of products and services.
- b. Charging the right price
- c. Providing prompt after-sale-service
- d. Honoring its promises in respect of warranties, etc.

3. Social Objectives Towards Shareholders:

- a. Payment of reasonable dividend regularly.
- b. Disclosing true and correct information about the firm progress and prospects.
- c. Enhancing shareholders value by issuing bonus shares.

4. Social Objectives Towards Dealers:

- a. Payment of taxes and duties.
- b. Adhering to government rules and regulations
- c. Providing financial assistance to support welfare activities of government, etc.

5. Social objectives Towards Suppliers:

- a. Payment of dues on time.
- b. Suggestion to improve quality of suppliers
- c. Suggestion to improve trade terms.

6. Social Objectives Towards Dealers:

- a. Supply of goods on time.
- b. Providing training to sales staff of dealers.
- c. Providing the right amount of commission and incentives

- d. Providing credit facilities, if possible.
- e. Providing information of new arrivals well in advance.
- f. Taking over old or unsold stock, if possible offering better terms and conditions.

7. Social Objectives Towards Media:

The media people must be treated with respect. If by chance, media reports wrong facts about the firms' products, policies, and other issues, then a business firm should sort out the matter amicably rather than dragging media people to courts or some other negative tactics.

8. Social Objectives Towards Competitors:

Competition should be considered more of an opportunity to improve performance, rather than as a threat. They should not undertake activities to malign or soil the name of competitors through unethical production and marketing tactics such as unethical advertising, duplication of other company's brands to spoil its reputation etc.

Q-5. Write note on Economic Objectives:

1. Profit:

“In the competitive business situation profit must necessarily be earned so as to keep business alive for the benefits of the society and for payment of government taxes”

2. Creation of Wealth:

One of the objectives of business firms is to create wealth. By producing goods and services, a business firm adds utility value to natural resources and increases wealth of the society.

3. Creation of Customer:

“There is only one definition business purpose: to create a customer”

Business means finding out customers identify what, where, why and at what price consumer would prefer to buy and finally making them available services.

4. Innovation:

Innovation in business helps to introduce new and better techniques. To survive and succeed in the competitive business world, a business unit must always look for inactive ideas.

5. Utilization of Resources:

A firm can make best use of limited resources by:

- a. Making full use of machines and equipments.
- b. Reducing or minimizing wastages.
- c. Developing ways to make better use of waste materials
- d. Motivation of employees through monetary and non-monetary incentives.

e. Improving the quality of work force through training development.

6. Increase in Market Share:

a. Effective distribution network.

b. Maintaining good relations with dealers.

c. Effective advertising and publicity.

d. Providing effective and efficient after-sale-service.

e. Giving extra warranties as compared to competitors.

f. Effective sales promotion like free gifts, discounts, etc.

7. Expansion of markets:

A business firm may aim at entering new markets, both domestic and international.

8. New Product Introduction:

a. Increase its overall market share.

b. Face the competition effectively in the market.

c. Earn goods profits.

Q-6. Write a note on Threefold Objectives Of business.

The objectives are

1. Survival:

Survival is the basic objective of every firm .it is the primary objective of every business to continue it activities and prevent closure or exit from the market. The problem of survival common

to all types of firms and arises due to increase competition, change in consumer behavior or technology, about problems and so forth.

The problem can be solved by:

- a. The firm should find out various sources to increase income and reduce expenses.
- b. The firm must make better utilization of financial and other resources and ensure adequate liquidity.

2. Growth:

Growth may be defined as expansion of business activities by introducing new products or expanding existing product line or by entering into new markets.

A firm can expand or increase its business activities through:

- a. Entering into new markets, domestic and/or overseas.
- b. Entering into joint ventures or foreign collaborations.
- c. Expanding the range of business activities.
- d. Introducing new products.
- e. Mergers and take over's.

3. Recognition and prestige:

A business unit would like to have social recognition for its services, and a unique status for its innovative skills, technological supremacy, and markets leadership etc. A firm likes to enjoy trust and confidence of society. The objective of recognition and prestige implies some sort of appreciation.

Q-7. Write Steps in Formulating Objectives.

1. Analyze Internal Environment:

- a. Physical resources: to find out whether such resources are adequate in terms of quality.
- b. Product lines: in terms of market share, probability, trends in sales.
- c. Financial resources: Working capital, fixed capital, reserves
- d. Marketing policies: with respect of promotion, pricing, distribution.
- e. Human resources : attitudes in term of numbers
- f. Areas of production : quality control
- g. Working conditions: to find weather conditions and facilities are adequate for effective performance.
- h. Relationships: between various departments.

2. Analyze external environment:

- a. Competition
- b. Government Policies
- c. International environment
- d. Technological environment
- e. Consumer likes and dislikes
- f. Demographic trends
- g. Suppliers position

- h. Dealers support
 - i. Potential changes in the external environment
3. Knows the values and beliefs of the top management:
Top executives may believe in quality and innovation as a means of success and as such they may place emphasis on innovation and quality.
4. Awareness of past achievement of the firm:
Awareness of the past objectives and achievements of the firm leads to a choice of objectives.
5. Setting of objectives:
After analyzing the internal and external environment, the firm should set the objectives in all areas.

Q-8. What are guidelines for setting objectives?

1. Participation
There must be active participation of important people responsible for the attainment of objectives. The active participation in setting of objectives will motivate them to achieve the objectives.
2. Specific and clear
The objectives must be clearly understood by those persons who are responsible to attain the objectives.
3. Measurability:

Objectives should be capable of measurement. There must be certain targets or standards against which the performance of objectives can be measurement.

4. Achievable:

Objectives are such that they can be achieved within the given resources.

5. Realistic :

Objectives should be realistic.

6. Time bound:

Objectives should be time bound.

7. Flexibility:

The objectives must not be rigid. Depending upon the situation, the objectives may be modified. The objectives maybe reframed in the light of changes in the environment.

8. Consistency:

Objectives should be mutually consistent throughout the organization. The department objectives must be consistent with the overall objective of the firm.

9. Priority

Since there are multiple objectives to be achieved in the short run, there must be a priority of objectives.

10. Hierarchy of Objectives:

The objectives at the higher level should act as ends and those at the next level act as means.

11. Integration:

The short range objectives should follow from the long range objectives of the firm.

12. Balance:

There must be a proper balance between the different objectives of the firm.

13. Periodic Review:

There must be periodic review of objectives. This will help the firm to find out whether listed objectives are achieved or not.

Q-9. Explain importance of objectives?

1. Helps in defining the organization:

Objectives help in defining organization. By stating it an organization commits itself to what it has to achieve for members.

2. Facilitates Planning:

Listing helps to plan activities. Without framing proper objectives it is not possible to frame plans

3. Facilitates direction:

Objectives provide direction to employees to undertake the various activities in the organization.

4. Provides basis for evaluation:

Objectives not only evaluate the overall performance the organization but also individual performance.

5. Facilitates decision making in all functional areas:

It facilitates systematic decision-making on the part of the managers in the organization.

6. Ensures Proper Organizing of resources:

Depending upon the targets the organization can make proper arrangement of physical, financial and human resources.

7. Helps in Coordinating Decisions:

Objectives help in co coordinating the decisions of all those people who work for the organization.

8. Motivates personnel:

Well defined objectives help to motivate employees.

9. Reduces wastage:

Proper objectives help to reduce wastage in the organization. All the resources in the organization are put to proper use.

10. Develop Team Work:

Well defined objectives facilitate team work in the organization. The members of the organization work in co operation with each other

11. Generates Higher Efficiency:

When objectives are set properly, there can be proper organizing and utilization of resources.

12. Ensures survival and Success of the firm:

Objectives facilitate the implementation of strategies in the organization.

BUSINESS ENVIRONMENT

Q-1. Explain Meaning and nature of business Environment.

Business Environment

Business environment refers to the socio economic surroundings under which business activities are to be conducted. It is the net result of various environment forces such as economic, political, technological, and social and so on. Business enterprises have to study the prevailing environment and adjust their business policies accordingly.

Nature:

It is dynamic in nature. Changes take place in external environment.

- a. Competitors may introduce new product designs, or may change pricing, promotion and other strategies.
- b. Customers' tastes and preferences may change over a period of time.

c. Government may introduce policy changes in respect to taxation, foreign investment, foreign trade, etc.

Q-2.Explain elements of Internal Environment.

Important factors are:

1. Mission and Objectives: A mission statement reflects the vision, purpose and philosophy of the organization.
2. Plans and policies: The plans and policies of the firm must be in line with its objectives.
3. Human resources: The survival and success of the firm largely depends on the quality of human resources.
4. Physical resources: It includes machines, equipments, buildings, office premises, furniture and fittings, etc.
5. Financial resources: A firm needs adequate working capital as well as fixed capital.
6. Corporate Image: A firm should develop and maintain good corporate image in the minds of employees, investors, customers, and others.
7. Labours-Management Relations: There must be excellent relations between management and workers.
8. Other Internal Factors:

- a. Research & development Facilities.
- b. Organization Structure, etc.

Q-3. Explain Micro Elements of External Environment.

1. Customers: the customers' needs, wants, preferences, and buying behavior must be studied.
2. The Competitors: A firm has to analyse its competitor's activities. Information about competitors must be analyzed with respect to their product designs, pricing, promotions, and distributions.
3. The Suppliers: Suppliers supply raw materials, and other supplies.
4. Channel Intermediate: Now-days, dealers recommendations play an important role to convince buyers to buy products especially in the case of consumer durables.
5. Society:
 - a. Financial institutions and banks-affect firm's ability to obtain funds.
 - b. Media-affect the goodwill of the firm through the favorable or unfavorable reporting about the firm.

- c. Government-affects firms decisions through its policies, rules and regulations.
- d. Citizen action-groups- who may question the firm's pricing product and promotion strategies.
- e. General public- who in future may become firm's employees, shareholders, customers, etc.

Q-4. Explain macro environment of External Environment

The macro environment consists of the larger societal factors that affect the working of a firm.

1. Demographic Environment: demographic environment relates to human population with reference to its size, density, literacy rate, life expectancy, sex ratio, rural urban divide, age composition, occupation pattern, etc.

2. Economic Environment:
 - a. Economic conditions in the market.
 - b. Economic policies of the government
 - c. Economic system of the country.

3. Natural environment: natural environment or ecological environment relates to natural resources like land water, minerals, port facilities, etc.
4. Technological environment: The business firms must monitor changes in the technological environment. It needs to introduce latest technology.
5. Political Environment: This environment consists of government agencies, political parties, and pressure groups that influence and control the activities of individuals and organization
6. Cultural environment: The socio-cultural environment consists of culture, traditions, beliefs, values and lifestyles of a society.
7. Financial Environment: it greatly influences the working of the firm.
8. Legal Environment: legal environment includes laws, which define and protect the fundamental rights of individual and organizations.

9. International environment: business firms engaged in foreign trade are more affected by changes in the international environment.

Q-5. Bring out interdependence of Business and Environment

Business and environment are like the two sides of the same coin.

1. Business and natural Environment:

Business firms depend on natural environment for the supply of resources like raw materials, water, etc. However, the ever increasing use of natural resources by business men has resulted into depletion of natural resources.

2. Business and economic environment:

The working of business is influenced by the economic policies relating to taxation, money supply, import-export etc. A change in economic policy has both positive and negative effect of industry. A positive change in the policy provides opportunities for growth and expansion.

3. Business and socio-cultural Environment:

Business firms need to monitor closely the socio-cultural environment. The social and cultural environment greatly influences business decisions. An analysis of socio-cultural environment would enable the business firm to design and promote its products and services effectively.

4. Business and technological Environment:

Technological environment can influence business decisions. Development in the field of technology can benefit the firms by the way of improvement in quality and quantity of goods.

5. Business and Demographic Environment:

Demographic environment influences business decisions .The business firms can take business decisions depending on demographic features of the population.

6. Business and Regulatory Environment:

The legal environment has a good influence on business decisions. Business firms need to follow the provisions of various laws or acts affecting their business decisions.

7. Business and International Environment:

Business firms, especially, those dealing in foreign trade are affected by international environment.

8. Business and political Environment:

Political stability is essential for the smooth functioning of business activities. Political stability brings consistency and firmness in government policy.

Q-6.Socio-Cultural Environment in India.

The socio cultural environment consists of culture, traditions, beliefs, values and lifestyles of a society.

1. Religions in India:

In India, all the major religious communities exist, which include Hindus, Muslims, Christians, Sikhs, Buddhists, Jains, and Parsis.

2. Festivals:

Festivals play an important role in the lives of people, anywhere in the world, and India is no exception. In India, there are several festivals like Diwali, Ramzan Id, Christmas, Baisakhi, and Onam.

3. Dance and Music: India is a land of dance and music. A number of Indian dances have received world attention. Such as Bharat Natyam, Kathak, Odissi etc. Music, too, is an important aspect of Indian culture

4. Foods and Cuisine:

Indian food and cuisine is an important aspect of the socio-cultural environment. A good knowledge of eating habits of the people can influence the right business decision.

5. Languages:

At present in India, there are 18 officially recognized languages. India is believed to have 1652 mother Tongues.

6. Art and Architecture: India is a land of art and architecture. India has some beautiful structures in the form of churches, temples.

7. Family relationships:

Indians believe in strong family ties. In almost all parts of rural India, parents live with their children and grandchildren under the same roof.

8. Ceremonies:

In India, people perform a number of ceremonies, which may be related to religion, births, wedding, and also death.

Q-7. Economic Environment.

a. Economic Conditions in the Market:

The demand factors include:

- a. Level of purchasing power.
- b. Price of the product
- c. Tastes and preferences
- d. Product promotion

The supply factors include

- a. Demand for the product
- b. Extent of competition
- c. Number of suppliers

- d. Price of the product
- b. Economic Policies:
 - 1. Industrial policy
 - 2. Fiscal Policy
 - 3. Monetary Policy
 - 4. Foreign Trade Policy
- c. Economic Systems:
 - a. Capitalist system
 - b. Social system
 - c. Mixed system

Q-8. Political Environment.

Political environment is a comprehensive term and includes political system, political parties, government agencies, and pressure groups that influence and control individuals and organization in a society.

1. Government Policies:

Business firms must study the Government policies affecting their business; they must have a thorough knowledge of any changes or revision in the policies.

- ##### 2. Government's external relations:
- It is vital for business firms, especially, those dealing in the foreign trade that the Government should have good external relations

3. Stability of Government:

A stable, progressive and healthy political environment is very much necessary for business growth because political instability affects the economic and business growth adversely.

4. Prevailing Political Scenario:

Business firms need to have a good knowledge of the current political scenario in the country both at the centre and at the state level.

5. Opposition Parties:

The opposition parties also affect industry or business units. Opposition parties may organize anti-industry protests. They may instigate local people to protest against a particular company .At times, such protests may be justified.

Q-9. Technological Environment.

Technology relates more to technique of production or application of scientific know-how to improve the quality and quantity of the product and production process. Technological environment consist of:

- a. State of domestic or indigenous technology,

b. Facilities for Research and development

c. Technical Collaboration, etc.

1. There are tremendous developments in the field of technology.
2. Advances in technologies have made it possible to improve quality of product, increase output and reduce the cost of production.
3. Technology can be used to carry out more risky and hazardous jobs in factories more efficiently and safely.

The following are the steps:

- a. The government gives incentives and provides financial and other assistance to upgrade obsolete machines or technology.
- b. The import of modern technology is allowed at reduced rate of the technology in India.

Q-10. Legal and Regulatory Environment

The legal and regulatory environment refers to the Govt laws, rules regulations and procedural formalities to be followed by business firms.

The objectives of legal and regulatory environment are:

1. Balanced economic development
2. Prevent concentration of wealth in hands of few businessmen
3. Protect consumers against unfair trades
4. Prevent exploitation of employees
5. Protect the interest of Investors

6. Needs to control environmental pollution.
7. Preventing unfair competition
8. Functioning of joint stock companies in respect of holding company meetings, appointment of director's declaration of dividend, etc.
9. Manage foreign exchange
10. To promote the development of micro, small and medium enterprises.

International Environment.

Write a note on World Trade Organization:

The world trade Organization came into existence on 1-1-1995 by replacing General Agreement on tariffs' and trade. India is the founder member of GATT and WTO.

Objectives of WTO are:

1. Increasing World Trade and development: the main objective of WTO is to increase World trade and development. It is possible by reduction of trade barriers.
2. Trade without Discrimination: WTO aims at trade without discrimination through the application of Most Favored Nation principle.
3. Settlement of Disputes: WTO aims at resolving conflicts between member nations through negotiation or dispute settlement panel.

4. Raising Standard of Living: WTO aims at providing full employment in member nations, which will generate higher purchasing power to the citizens and therefore, higher standard of living.
5. Optimum use of World's Resource: WTO aims at optimum use of world's resources and, thereby, expanding world production and trade of goods as well as services.
6. Protection of Environment: WTO aims at preservation of global environment.
7. Growth of less Developed Countries: WTO aims improving the growth of LDC's. Therefore, special concessions are given to LDC.
8. Employment: WTO aims at generating full employment in member nation.
9. Foreign Investment: WTO aims at liberalizing foreign investment in member countries.
10. Protection to Intellectual Property Rights: WTO aims at protection to intellectual property rights.
11. Promotion of agriculture Trade: WTO aims at promoting agricultural trade.

Functions of WTO:

1. Administration of agreements:
 - a. TRIPs Agreement.

- b. TRIMS Agreement
- c. Agreement on Agriculture
- d. GATS Agreement.

2. Reduction of Trade Barriers: the major function of WTO is to reduce or eliminate trade barriers-tariff as well as non-tariff barriers.
3. Examination of Members Trade Policies: It examines the foreign trade policies of the member nations.
4. Collection of foreign Trade Information: It collects information in respect of export-import trade, various trade measures and other trade statistics of member nations.
5. Settlement of disputes: WTO aims at resolving conflicts between nations through negotiation or dispute settlement panel.
6. Consultancy Services: it keeps a watch on the development in the world economy and it provides consultancy services to its member nations.
7. Forum of Negotiation: WTO is a forum where member nations negotiate for the exchange of trade concessions.
8. Assistance to IMF and IBRD: it provides assistance to international financial institutions such as International Monetary Fund and World Bank.

Q-2. Write on TRIPs, TRIMs, GATS.

It stands for Trade Related Intellectual Property Rights. Under this agreement, protection is given to patents, trademarks, layout designs, copyrights, and other intellectual properties. This agreement favors the developed countries as compared to developing ones.

It stands for Trade Related Investment Measures. Under this Agreement, the member nations have agreed to treat foreign investment at par with domestic investment.

It stands for General Agreement on Trade in Services. Under this Agreement, the services sector has to be liberalized or opened up.

Q-3. Write a note on European Union.

The European Union is a political and economic community of twenty-seven member states.

Main Objectives of EU:

- a. To accelerate trade creation among member nations by removing trade barriers.
- b. To encourage technological developments in the member nations.
- c. To encourage competition among firms of member nations
- d. To enhance consumer welfare of citizens of member nations.
- e. To enhance economic growth of member nations.

- f. To generate employment in member nations
- g. To encourage investment within the region.
- h. To ensure optimum use resources.

Achievements of EU:

- a. 1968-free trade in industrial goods within the group and a common price for farm goods.
- b. 1970-Restrictions on free movement of labor and capital were reduced.
- c. 1975- The EU eliminate most trade barriers on imports from 46 developing nations of Africa, the Caribbean and the Pacific region that former colonies of EU countries.
- d. 1986- The EU amended the Treaty of Rome with Single European Act, which provided for removal of all barriers to the free flow of goods.
- e. 1993-EU removed all restrictions on free flow of goods, services and resources among its member nations.
- f. 1995-the membership of EU increased from 12 to 15 nations and further increased to 27 nations in 2007.

Q-4. Write a note on NAFTA.

In Sept 1993, the USA, Canada and Mexico signed the NAFTA.It came into force on 1.1.1994.

The main Objectives of NAFTA:

- a. To reduce trade barriers on member nations
- b. To assist member nations during crises or emergencies
- c. To develop cultural, social and economic relations among member nations
- d. To transfer technology to member nations, wherever possible
- e. To enhance competitive advantage of the companies in member nations, in order to widen their scope in international markets.
- f. To develop industries in Mexico in order to create employment and to reduce migration from Mexico to USA.
- g. To assist Mexico in earning additional foreign exchange to meet its foreign debt burden
- h. To improve political relationships, among member nations.

Benefits:

1. The main impact of NAFTA was on trade between the USA and Mexico.
2. US employment has increased as a result of NAFTA.
3. Mexico also benefited by way of export-led growth resulting from increased access to huge US markets.
4. Increasing employment opportunities and rising wages in industry also reduced migration to USA from Mexico
5. There have been improved political relations among USA, Mexico and Canada

Q-5. Write a note on ASEAN

The ASEAN was established on 8.8.1967 in Bangkok by five original member nations.

ASEAN's primary

Focus was political. The economic cooperation began at the first ASEAN Summit in Bali in 1976.

Objectives of AFTA:

- a. To remove tariffs on goods produced in the ASEAN countries.
- b. O encourage FDI I the region.
- c. To assist member nations during emergencies
- d. To improve social and cultural regions amongst member nations.
- e. To promote regional peace and stability.

Benefits:

1. Political accords.
2. Free Trade.
3. Tourism Development
4. Employment
5. Social and economic development
6. FDI

Q-6 Write a note on SAARC

It was launched in 1985

The main objectives of SAARC:

- a. To promote welfare of the people of the region.
- b. To accelerate economic growth in the region.
- c. To accelerate social progress and cultural development
- d. To promote mutual trust and to understand and appreciate of each other's problems'
- e. To strengthen cooperation with other developing countries.
- f. To strengthen cooperation amongst member nations.
- g. To cooperate with international and regional organizations with similar objectives.

The 14th SAARC Summit was held in India in April 2007.

They called for deepening orientation of growth process, including increased investment in human capital and infrastructure.

Q-7 Write a note Environmental Scanning.

Environmental scanning is a concept from business management by which business firms gather information's from the environment, to achieve a sustainable competitive advantage.

Methods.

- A. Ad-hoc scanning- short term, infrequent examinations usually initiated by crises.
- B. Regular scanning- Studies done n a regular schedule.
- C. Continuous scanning- continuous structure data collection and processing on a broad range of environmental factors.

The Macro Environment:

Environment scanning usually refers just to the macro environment, but it can also include industry and competitor analysis, consumer analysis, product innovation, and the co0mpany's internal environment

- 1. The Economy:
 - a. GDP and Per capita
 - b. Economic growth
 - c. Unemployment rate
 - d. Inflation rate
 - e. Consumer and investor confidence
 - f. Inventory levels
 - g. Currency exchange rates
- 2. Government

- a. Political climate
 - b. Government debt
 - c. Payroll taxes
 - d. Export restrictions
3. Legal
- a. Union laws.
 - b. Minimum wage laws
 - c. Copyright and patent laws.
 - d. Municipal licenses
4. Technology
- a. Industrial productivity
 - b. New manufacturing process
 - c. Cost and accessibility of electrical power
5. Ecology
- a. Ecological concerns that affect the firm's production processes
 - b. Ecological concerns that affect customers buying habits.
6. Socio-Cultural
- Demographic factors
- a. Age distribution
 - b. Education levels
 - c. Income levels
 - d. Ethnic origins

Attitude towards.

e. Consumerism

Cultural structures

f. Diet and nutrition

7. Potential suppliers

Labor supply

a. Quantity of labor available

b. Wages expectation

c. Educational facilities.

Material suppliers

a. Delivery delays

b. Level of competition among suppliers

Service Providers

a. Special requirements

Stakeholders

a. Employees

b. Partners

c. Shareholders

d. Lobbyists

e.

Q-8. Write a note on Importance of environment scanning

1. It helps an organization to capitalize on early opportunities rather than lose these to competitors.
2. It provides an early signal of impending problems
3. It sensitizes an organization to the changing needs and wishes of its customers
4. It provides a base of objective and qualitative information
5. It provides intellectual stimulation to strategies in their decisions making
6. It improves the image of the organization in the minds of public by showing that it is sensitive to its environment
7. It is a means of continuing broad-based education for executives, especially for strategy developers.

SETTING UP OF BUSINESS UNIT.

Q-1. Write a procedure in setting up business unit.

The following are main stages:

1. Identification of business opportunity

The entrepreneur must identify an opportunity to undertake a new venture.

- a. Market research- to find out needs and problem of the potential customers
- b. Discussions with business minded individuals

- c. Consultations with business consultants or advisors.
- d. Brainstorming sessions with existing employees
- e. Discussions with existing customers and channel intermediate.
- f. Observations at market place-retail stores, departmental stores etc.

2. Evaluation of opportunities:

Every business opportunity or idea must be properly evaluated.

- a. The costs can be measured in terms of resources required to implement the opportunity.
- b. The benefits can be measured in terms of sales, profits, goodwill, etc.

To evaluate opportunity, the entrepreneur needs to find answers

- a. Do the consumers or users need such a product?
- b. When it would be possible to break-even in sales?
- c. What are the substitute's products available in the market?

3. Selection of best opportunity:

The entrepreneur needs to select the best opportunity. Before selecting the opportunity, the entrepreneur needs to go for a detailed analysis of short listed opportunity.

The entrepreneur may consult experts or consultants in finalizing the best idea.

4. Decision on Location

An important decision, the entrepreneur has to take is in respect of locating the business enterprise.

- a. Law and order situation in the locality or state
- b. Labor relations in the state.
- c. Infrastructure facilities.
- d. Incentives from the government
- e. Proximity to sources of raw material.
- f. Skilled workforce availability

5. Develop a business plan

The business plan describes the future direction of the business. The entrepreneur must prepare a sound business plan in order to exploit the opportunity or idea. A good business plan is important in determining the resources required, obtaining them, and effectively managing the business venture

6. Determine the resources required

The entrepreneur should determine the resources determine the resources required to undertake the business. The resources can be broadly divided into three groups.

- a. Financial resources
- b. Human resources
- c. Physical resources

The financial resources must be acquired at the lowest possible cost.

Regarding human resources, the entrepreneur must be selective.

7. Manage the Enterprise

After acquiring resources, the entrepreneur must employ them to implement the business plan. As far as human resources are concerned, the entrepreneur may organize training programmes, and there should be proper placement of employees.

8. Periodic review

There must be periodic review to monitor the business venture. Periodic reports must be obtained from the employees to find out the performance of the new project. The actual performance must be compared against the planned targets to find out the progress of the project.

Q-2. Write a note on Project report.

A project is a scheme or a part of a scheme for investing resources. The Webster's dictionary defines a project as a proposal of something to be done; plan; scheme. Every project needs to be evaluated in terms of production, marketing, financial and human resources aspects.

A project report is a written document containing complete information about a proposed project. A project report is a blue print guiding an entrepreneur to undertake the project.

Importance of project Report:

1. Importance to entrepreneur :

- a. It is useful for obtaining loans and advances from banks and financial institutions
- b. It is required to be submitted to the government authorities, wherever necessary for various government clearances.
- c. It helps the entrepreneur to evaluate the soundness of the project on technical and on commercial lines.
- d. It gives a clear picture about the project and acts like a reference guide during the execution of the project.
- e. It acts as a controlling device to check the project progress and the project expenditure.
- f. It supplies vital information about the cost of raising funds, operating cost, expected rate of profit of the proposed project, and therefore, it is useful for promoters.

2. Importance to financial Agencies:

a. Banks and Financial Institutions :

A proper appraisal of project would enable the financial institutions to decide:

- a. The amount of loan
- b. The type of securities to be obtained before sanctioning loan

c. The period of loan.

d. Disbursement o loan-whether in lump sum or in installments.

b. The Investors:

The project report is also useful for the investors who provide capital to the proposed project by subscribing to the shares and debentures, the investors may analyze the project report to decide whether or not to invest in such a proposed project.

3. Importance to Government authorities:

The government authorities may be interested in the project report of the proposed project.

a. The Government provides subsidies to certain projects such as credit linked Capital Subsidy to small entrepreneurs, cash subsidy for setting up industries in backward region etc.

b. The Government provides various tax exemption, deduction, or concession such as tax holiday in the case of infrastructure projects, Resecah & Development projects, and biotechnology projects.

c. The entrepreneur may also require clearances from certain Govtboards such as pollution control boards, and so on.

4. Importance to suppliers of Equipment:

The suppliers of equipment on credit or on hire-purchase basis may also require project report to understand the soundness of the project.

Q-3 Write a note on Feasibility Study.

A feasibility study is preliminary study undertaken to determine a project's viability. The results of this study are used to make a decision whether or not to proceed with the project. It is an analysis of possible alternative solutions to a problem and a recommendation on the best alternative.

Dimensions of Feasibility Study:

a. Technical feasibility study:

This involves questions such as whether the technology needed for the project exists, how much money will be required to develop

b. Safety Feasibility:

Safety feasibility is another important aspect that should be considered in project planning. Safety feasibility refers to an analysis of whether the project is capable of being implemented and operated.

c. Political feasibility:

A political feasible project may be referred to as a “politically correct project”

Political considerations often dictate direction for a proposed project.

This is particularly true for large projects.’

d. Environmental feasibility:

Concern must be shown and action must be taken to address any and all environmental concerns. Raised or anticipated

e. Market feasibility:

The market needs analysis to view the potential impact of consumer demand, market, share, competitive activities, profits, etc.

f. Economic feasibility :

This involves the feasibility of the proposed project to generate economic benefits.

g. Legal Feasibility Study:

Not necessarily last, but all projects must face legal scrutiny. When an organization has either internal or external legal counsel.

h. Operational Feasibility:

Do the current work practices and procedures support a new system? This is how the organizational changes will affect the workers.

i. Financial Feasibility:

Financial feasibility should be distinguished from economic feasibility. Financial feasibility involves the capability of the organization to raise the appropriate funds needed to implement the proposed project.

Q-4. Distinguish between Project Report v/s Feasibility Report.

Project Report	Feasibility Report
<p>1. Meaning:</p> <p>It is a written report contains complete information about the proposed project in a summary form.</p>	<p>It is a written document containing in detail the findings of feasibility study in respect of marketing, finance, etc.</p>
<p>2. Who prepares:</p> <p>It is prepared by the promoters with the help of experts</p>	<p>It is prepared by promoters or by lending institutions.</p>
<p>3. When prepared:</p> <p>It is prepared in the initial stage of project formulation.</p>	<p>It is prepared after conducting a feasibility study.</p>
<p>4. Base:</p> <p>It is prepared on the basis of project plan.</p>	<p>Feasibility report is prepared on the basis of feasibility study.</p>
<p>5. Usefulness:</p> <p>It is like a reference guide</p>	<p>It is useful to find out commercial</p>

during the execution of project. It is a basis for obtaining loans from Banks.	viability of project.
6. Submission: It is submitted to banks, Is and other major investors to invest in the firm.	Normally, it is retained by the interested party that conducts feasibility study.

RESTRUCTURING AND GROWTH STRATEGIES.

Q-1 What are essentials of turnaround strategy:

1. Effective leadership:

To make turnaround successful, there is a need to have good leadership at all levels, especially at the top level management. The CEO needs to be committed and dedicated to t5he organization. He needs to be committed and deducted to the organization. He needs to be dynamic person it creative skills to handle the turnaround situation. If need be, the Board of directors may change the CEO, and appoint a new leader to handle the situation.

2. Proper Review f the situation:

- a. Competitor’s strategies.
- b. Market position of to company
- c. Performance of the various departments.

- d. Government policies affecting the firm.
 - e. Performance and support of dealers
 - f. Reactions of the customers towards the firm's offering
 - g. Technology and processes adopted by the firmest...
3. Support from various Parties:
- To make turnaround effective there should be good support from various parties such as employees, suppliers.
4. Availability of resources: There must be availability of required resources to make turnaround effective. The turnaround strategy would require proper amount of cash to meet working capital needs and certain fixed capital needs.
5. Planning and Control: there must be proper planning and control of various operations. A firm implementing turnaround strategy needs to analyze both internal and external environments and then plan accordingly.
6. Proper Communication:
- There must be good communication throughout the organisation. Any information relating to turnaround strategy to the concerned departments must be quick, clear and complete.
7. Viability of Business:
- Turnaround strategy can work only when there is viability of business. One cannot revive a business which has no prospects.
8. Long-term Approach:

Firms must undertake turnaround strategy not only from short point of view, but also from long term point of view.

Q-2. What are the steps in Turnaround Strategy.

1. Setting up a Turnaround Committee:

The business firm may set up a turnaround committee or a team to deal with the turnaround strategy. The committee or a team to deal with the turnaround strategy. The committee may involve top management personnel, consultant, and may include employees' representative.

2. Identifying the causes of losses:

The internal causes may be:

- a. Entry in a new non-viable business.
- b. Excessive manpower due to poor manpower planning
- c. Focus on several product lines or brands.
- d. Use of outdated technology.

The external causes may be:

- a. Better practices of the competitors.
- b. Changes in customers preferences. Tastes. Etc.
- c. Changes in government policies, etc.

3. Detailed investigation of causes:

The turnaround team may undertake the following activities:

- a. The team needs to discuss with workers to know the problems and to get their support.
- b. Consumer research may be conducted to know their reactions towards company's products and services.
- c. Dealer's survey may be conducted to obtain their feedback on the company's policies relating to dealer incentives, complaints from customers, competitors strategies, etc.

4. Alternative solutions:

The team must look for alternative solutions to overcome the problem

- a. Downsizing of workforce.
- b. Debt-equity swaps to reduce interest burden.
- c. Divestment of unviable
- d. Focusing on profitable customers.

5. Analysis of alternatives:

- a. The benefits to be analyzed in terms of returns or performance.
- b. The costs to be analyzed in terms of money, manpower, etc.

The analysis of benefits and costs must be undertaken not only from short term perspective but also from long term point of view.

6. Selection of best alternatives:

The team may select a proper mix of alternatives. The team may select two or three alternatives out of the several listed. The choice

of the best alternatives depends upon the causes of poor performance and the current situation.

7. Communication of Turnaround strategy:

The management must communicate the turnaround strategy to the employees, shareholders and other concerned stakeholders.

8. Organization and allocation of Resources:

The company needs to organize the resources required to implement the selected strategy.

The stake holders may also contribute by the way of right issue of shares.

9. Implementation:

The company needs to get good support from the employees, shareholders and financial institutions.

10. Review:

The company needs to be monitored at different phases. Monitoring of implementation is a must to ensure early revival.

Q-3. What is turnaround strategy?

Converting a loss making unit into a profitable one. It is possible only when the company restructure its business operations.

Turnaround is broader strategy and it can include divestment.

Q-4. What are corporate restructuring strategies?

Corporate restructuring refers to reorganizing a business firm. It is done in order to make best use of resources and to generate maximum return on investment.

I. Mergers and takeovers:

1. Mergers:

A merger refers to a combination of two or more companies into one company. It may involve absorption or consolidation. In absorption, one company acquires another company, and in a consolidation, two or more companies join to form a new company.

Mergers may be classified into three broad types:

- a. A horizontal merger, merger of firms engaged in the same line of business.
- b. A vertical merger, merger of firms engaged in different stages of production in an industry, such as merger of a car company with a tyre making company.
- c. A conglomerate, merger of firms engaged in unrelated lines of business.

2. Take Over's:

It generally involves the acquisition of a block of equity capital of a company, which enables the acquirer to take control of the affairs of the taken over firm.

A takeover can be a friendly one, if the incumbent management approves it.

II. Portfolio Restructuring:

3. Purchase of division: a firm can purchase a division or plant of another firm for the purpose of improving its market and financial position.

4. Divestitures:

A divestiture involves the sale of a division or a plant or a unit of one firm to another.

Reasons for Divestiture:

a. Raising Capital: Cash strapped firms can raise funds to improve their liquidity.

b. Reduction of Losses: divisions or units are invested, when they earn low returns or suffering losses.

c. Concentration on Core Business: Some firms may divest some units or divisions to concentrate on core business.

d. Improvement I efficiency: due to divesture, a firm can concentrate more efficiently on its existing business.

5. Demerger: A demerger takes place, when a firm transfers one or more of its units to another firm.

It can take into two firms

a. Ten spin –off, a division or unit is spun off into an independent company.

- b. In a split-up, an existing company is split-up into two or more independent companies.

Reasons for demerger

- a. Sharper focus: demerger facilitates sharper focus by respective management teams.
- b. Improved Initiatives and Accountability: Demerger improves managerial initiatives and accountability.

III. Financial Restructuring:

It involves a significant change in the financial structure of the firm and the pattern of ownership and control.

- 6. Going Public: Private limited companies, closely held public companies and even sole trading concerns and partnership firms may go public. The main reasons for going public are mainly to access capital for its growth and expansion plans
- 7. Debt-equity Swap: When a firm finds it difficult to service its existing debt, it may decide to convert debt into equity.
- 8. Leveraged Buyout: it normally involves an acquisition of a division or unit of a company; and occasionally, it involves the purchase of an entire company.
- 9. Buyback of Shares: A share buyback involves a firm's decision to repurchase its own shares from the market.
 - a. It is defensive strategy against a potential takeover.

- b. The management may have excess cash, but lacks profitable investment opportunities.
- c. To provide better returns to the remaining shareholders in future as the number of shareholders get reduced.

IV. Organizational Restructuring:

10. Regrouping of Business: firms are regrouping the existing business into a few compact strategic business units which are often referred to as profit centers.

11. Business Process Reengineering: It aims at improvements in performance by redesigning the process through which an organization operates.

12. Downsizing:

It involves retrenchment of surplus manpower through Voluntary Retirement Scheme and other schemes.

Outsourcing: Companies are resorting to outsourcing, which helps to reduce manpower and convert fixed costs into variable costs.

V. Rehabilitations Schemes:

a. Settlement with creditors: A sick unit is normally not in a position to honor its commitments

Rescheduling of payment of interest and principal

Conversion of debt into equity

Payment of arrears in installments

- b. Divestment: A sick unit may divest or dispose of unprofitable units and plants other non essential assets in order improve liquidity.
- c. Strict Control over Costs: A sick unit should have a strict control over costs, especially over its discretionary expenses.
- d. Streamlining of operations: Business operations must be reviewed to find out any unproductive activities.
- e. Provision of additional Capital: A sick unit normally requires additional capital for working capital needs, repair and modernization of plant and machinery. Etc.
- f. Other Schemes:
 - a. Reduction of surplus manpower
 - b. Change in existing incompetent management

Q-4 Write a note on Takeovers.

Acquisition is a method of growth in which a string company acquires all the assets and liabilities of another company.

Takeovers are a form of acquisition, and can be done by buying shares from market and taking over the control with or without the consent of the owners.

- a. Negotiated takeover, where both the parties mutually settle the terms and conditions.

- b. Open market, where the acquiring firm buys shares of the other firm from the open market normally at a higher price.
- c. Bail out, where a profit making firm takes over a sick

Requirements for takeover

1. A public announcement of a takeover need to be made by the offeror company and the offerre company
2. If the offer is made by a person other than the ultimate offeror, the identify f such other person needs to be disclosed at the outset in the public announcement and also in the notification to the stock exchange.

Advantages of takeovers:

1. Tata steel bought Corus Steel for US \$ 12.2 billion 2007.

Tata motors bought Jaguar Land Rover for US \$ 2.5 billion in 2008

2. Growth and expansion: takeovers enable a business firm to expand its operations in the domestic and overseas markets.
3. Helps to Face Competitions: Takeovers also helps to free competitions in the markets.
4. Increase in markets share: takeover helps to increase the market share.
5. Goodwill: Takeover against a good amount of goodwill in the market.

6. Economics of sale: Takeovers enables a firm to gain economics of scale .A firm can use the production facilities and other resources for manufacturing and distribution operations.

7. Tax benefits: At times, takeover helps a firm to gain substantial tax benefits.

8. Financial resources:

The combined entity can generate huge financial resources.

9. Increase in Pricing Power:

Takeover can strengthen the position of the firm in the industry.

Q-5. Explain Mergers and Amalgamations

A merger is a combination of normally two firms or companies, in which only one company would exist and other one would cease to exist.

An amalgamation is an arrangement in which the assets and liabilities of two or more companies become vested in another company.

Reasons for Mergers:

1. Operating Economics: When firms combine, there can be economics of large scale production and distributing due to more intensive utilization of production and marketing facilities.

2. Financial Economics: A merged firm can get tax benefit, especially when a loss making firm merges with a profit making firm.

3. Growth : A merged entity is in a better position to grow faster rather than individual firms undertaking internal expansion
4. Diversification: A merged entity can diversify in new areas due to greater capacity to absorb risk factor relating to diversification, and also due to combined efforts to handle diversification.
5. Managerial Effectiveness: A merged entity can facilitate managerial effectiveness
6. Helps to face Competition: Merger helps to face competition I the market. Due to economics of large scale production and distribution, the firm is in a position to offer not only better quality of goods and services.
7. Revival of Sick Units: Merger can bring out a revival of sick units.
8. Tax Advantage: merger can bee used as effective sources of tax planning, especially, when one of the merged entities was having accumulated losses.
9. Increase in Market Share: Mergers enables to increase market share of the new entity.
10. Goodwill: mergers develop goodwill in the market.

Q-5.What is factors influencing Business Growth

1. Attitude of management: the attitude of management affects the growth prospects of the firm. Management with professional attitude would make every possible effort to ensure growth of the firm.

2. Market opportunities:

The company's growth plan is influenced by demand potential; extend of competition and favorable conditions

3. Competitions: The extent of competition affects the growth of a business firm. If there is limited competition in the market, then there are good chances of growth.

4. Availability of resources: the growth and expansion plans are likely to be affected by:

Availability of physical and financial resources

Availability of infrastructure facilities

Incentives and support

5. Product: the growth of a business firm depends upon its product portfolio. If a firm's product portfolio consists of products with good demand, then there are chances for the form to grow.

Brand image

Distribution network

Price

Promotion

Quality

After-sale-service

6. Quality of personnel

The quality of a firm's personnel greatly influences its growth prospects. Competent and dedicated manpower brings success and growth to their organization

7. Research and development: Business firms that undertake R & D would come up with new and innovative products.

8. Corporate Image: Firms that enjoy good corporate image are bound to grow. A good corporate image creates confidence in the minds of investors.

9. Support from Government

The growth of business firms also depends on support provided by the government in the form of incentives and assistance.

10. Technology

Firms that use latest technology are in a better position to produce quality goods and services.

Q-6. Explain groups of Internal Growth strategies

Intensification strategy:

This strategy involves selling existing products to existing markets. This strategy is designed to increase sales of existing products to current customers, non users, and users competing brands in existing markets.

This strategy involves extending existing products to new markets. This strategy aims at reaching new customer segments within an existing geographic market.

This strategy involves developing new products for existing markets or for new markets

3. Diversification strategy

The diversification strategy is one type of internal growth strategy, it involves expansion of business

There are four forms

Vertical

In this case, a company expands its activities in such a way that it moves ahead of its present line

Backward

In this case, a company expands its activities in such a way that it moves backward of its present line

Horizontal

In this case it introduces new products to a certain extent to current line

Concentric

It involves in such areas which are indirectly related to it

Conglomerate

It involves entry in a totally new area.

Case Studies:-

A **case study** is an intensive analysis of an individual unit (e.g., a person, group, or event) stressing developmental factors in relation to context. The case study is common in social sciences and life sciences.

Case studies may be descriptive or explanatory. The latter type is used to explore causation in order to find underlying principles. They may be prospective, in which criteria are established and cases fitting the criteria are included as they become available, or retrospective, in which criteria are established for selecting cases from historical records for inclusion in the study.

Thomas^[4] offers the following definition of case study: "Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is the *subject* of the inquiry will be an instance of a class of phenomena that provides an analytical frame — an *object* — within which the study is conducted and which the case illuminates and explicates."

Rather than using samples and following a rigid protocol (strict set of rules) to examine limited number of variables, case study methods involve an in-depth, longitudinal (over a long period of time) examination of a single instance or event: a **case**. They provide a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher may gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research. Case studies lend themselves to both generating and testing hypotheses.

Another suggestion is that **case study** should be defined as a **research strategy**, an empirical inquiry that investigates a phenomenon within its real-life context. Case study research means single and multiple case studies, can include quantitative evidence, relies on multiple sources of evidence and benefits from the prior development of theoretical propositions. Case studies should not be confused with qualitative research and they can be based on any mix of quantitative and qualitative evidence. Single-subject research provides the statistical framework for making inferences from quantitative case-study data.

This is also supported and well-formulated in (Lamnek, 2005): "The case study is a research approach, situated between concrete data taking techniques and methodologic paradigms."

The case study is sometimes mistaken for the case method, but the two are not the same

Introduction to the business case studies section of the Virtual Economy.

Business Case Studies - Introduction

There are four sections to the 'Business' case studies. They are:

1. The 'businesses'
2. The 'policies'
3. The 'results'
4. The 'issues'

The case study looks at the effects that various economic policies have on different types of businesses. There is a choice of five different businesses, and four different policies.

How to write a case study:-

Step1

Title of your Project or Case Study

Example:

Distributors Improves Customer Service

Step2

Make a Executive Summary

Example:

Customer name:

- EMCOR Incorporated

Industry:

- Retail

Employees and Customer

- 2000 employees
- 140 Store VisMin
- More or less 500,000 individual customers or households

Step3

Make a Recommendation or Solutions

Example:

Business Challenge

- Consolidated all branches onto a single unified communications system
- Provided presence information, so that employees can see if their co-workers are available
- Gave employees one interface for all their communications tools

Network Solutions

1. Cisco Unified Communication or (Voice over Internet Protocol)

Results

1. Made it easier for customers and employees to reach the right person, the first time Enabled employees to work productively from any workspace, including home

“With information available from Presence, employees can see whether their co-workers are available before transferring a call, so customers can talk to a live person instead of having to leave a voicemail.”

Step4

Make a Brief Background of your Project

Mini Case Studies

Caselets, or short cases, are increasingly used as teaching aids, both in B-Schools and in executive education programs. Being brief and focused on a specific topic, a caselet is a useful supplement to a lecture. The session plan for a B-School course is likely to be more effective when there is a balanced mix of cases and caselets, along with other pedagogical tools.

A caselet is a shorter version of a case study, generally two to three pages in length. Caselets are similar to case studies in that they may either describe a sequence of events or put forth an issue or problem that requires decision making. The use of caselets is gaining popularity as a pedagogical tool in management teaching and executive education.

The basic objective of a caselet is to allow the learner to apply ideas and insights from theory to the real-life issues and problems contained in the caselet. This helps the learner obtain a deeper understanding of all the relevant factors in a particular problem situation as well as gain insights into the finer nuances of a topic in a particular field of management.

Case 1

2g spectrum scam

The Government of India (GoI) led by Prime Minister Manmohan Singh found itself faced with corruption charges. It was alleged that the Minister of Communications and Information Technology (MCIT), Andimuthu Raja (Raja), had granted telecom operating licenses and allotted spectrum arbitrarily on a First-Come-First-Served basis, paying no heed to advice from the Prime Minister and other ministries that an open auction be held. Across the world, spectrum, which is treated as a scarce natural resource, is generally auctioned and given to the highest bidders, but in India, the MCIT allocated spectrum to various companies between November 2007 and December 2010 at price levels agreed to in 2001 without any bids being called for. A preliminary report by the Comptroller and Auditor General of India (CAG)⁶, a federal agency for auditing public accounts, computed the loss to the exchequer at around US\$40 billion (Rs⁷ 1760 billion) due to the MCIT favoring allocation rather than open auctioning⁸. Further, it was also alleged that the MCIT had flouted guidelines and eligibility conditions, altered cut-off dates (for receiving applications), and tweaked procedural conditions, resulting in unfair advantages to certain companies. Following the allegations, Raja was forced to step down from the MCIT and in 2011, was facing corruption charges.

The Supreme Court of India, in December 2010, stated that it was prima facie satisfied that irregularities had been committed in the allocation of 2G⁹ spectrum by Raja. The Court also ordered the Central Bureau of Investigation (CBI)¹⁰ to conduct a comprehensive investigation to bring the wrong-doers to justice.

Indian 2G Spectrum Scam: Crony Capitalism on Display?

- Excerpts

Excerpts

Indian Telecom Sector and Its Attractiveness

During the 1990s, the telecommunications sector in India benefited from the general opening up of the economy. As the telecom revolution across the globe resulted in better service quality with lower tariffs, India also privatized the telecommunication sector. Accordingly, in 1999, cellular or mobile services were launched...

Telecom Policy in India

The GoI had absolute monopoly on telecommunication services till 1994. In November 1994, the government framed the National Telecom Policy (NTP) permitting private sector participation in the telecommunication sector. In the first phase, two Cellular Mobile Telephone Services (CMTS) licenses were awarded for each of the four metros i.e...

Grant of UAS Licenses – A New Chapter in Indian Telecom

During 2006, the companies that were providing CDMA-based mobile services under the UAS license (including Reliance and Tata), applied for permission to use GSM technology. However, regulations in force during that period did not allow a combination of technologies...

The Biggest Scam in Democratic India

The granting of UAS licenses in 2007 created a major stir. In May 2009, Telecom Watchdog, an NGO, submitted a complaint to the Central Vigilance Commission. (CVC) pointing out irregularities and requesting

for an enquiry. The CVC, after a preliminary enquiry, found "blatant violation of the terms and conditions in the 2G spectrum allocation.

Influence of corporate lobbying: to what extent?

Some industry observers attributed the irregularities in the 2G spectrum allocation to corporate lobbying. It was widely reported that the political leaders and bureaucrats were hand in glove with...

The Aftermath

After the CAG report brought forth irregularities in the issue of licenses and allocation of the 2G spectrum, the CBI filed a second affidavit in the Supreme Court on November 29, 2010

Case 2

"The industry as a whole is under-achieving." This was the verdict of the Construction Task Force, led by Sir John Egan, in July 1998. The Task Force had investigated the state of the British construction industry.

The Egan Report, as it came to be called, confirmed that the industry did have some centres of excellence, but that overall there were many problems to resolve. These included:

- low profitability, which in turn led to;
- low levels of capital investment
- insufficient research and development
- inadequate employee training
- outdated methods of production
- excessive waste of resources eg time and materials

- many dissatisfied customers.

The Task Force thought that too many firms in the industry were poorly led and lacked vision. Firms were criticised for being insufficiently aware of the business environment in which they operated, and for failing to adapt products and their processes to meet changing customer needs.

The directors of Portakabin, Europe's leading provider of modular buildings, welcomed the report's findings. Clearly, its comments were accurate in relation to large sections of the construction industry. On the other hand, Portakabin had good reason to believe that it was one of the industry's centres of excellence and that its own progressive approach gave it a competitive advantage over many of its would-be rivals.

This case study looks at how Portakabin's operations exhibit the kind of good practice that the Construction Task Force wants to see the whole industry adopt. In particular, it demonstrates how Portakabin is 'ahead of the game' by being customer-led and responsive to the changing business environment.

The business environment

The business environment in which firms operate lies outside themselves. It is their external environment, which is always changing. Some changes are so dramatic that everybody notices them, but others may creep up on an industry over the years and be largely ignored for too long.

Changes take many forms and create new challenges. For an industry as a whole, it may well be that:

- Customers' needs and requirements change. They look for new, better and cheaper products.

- New technologies become established. These encourage new firms to enter the industry with better products and cheaper ways of doing things.
- Employees' skills need revising to take advantage of new technologies.
- New laws are passed that require changes in how businesses operate eg introduction of a minimum wage, restrictions in working hours and tougher health and safety requirements.
- Traditional sources of supplies of raw materials and components begin to look less reliable.
- New supply sources emerge.
- Banks and other investors start to lose interest in financing the industry.
- Pressure groups start to take a greater interest in the industry's activities.
- The industry ceases to be able to attract new, high calibre recruits.

For individual firms within an industry, the external business environment also includes their competitors, who may:

- introduce new, superior methods of production
- change the ways in which they compete for business
- extend their target markets
- find new ways of attracting key employees.

One test of a firm and also of an industry is how well it recognises significant changes and adapts to them.

The construction industry

The construction industry has to meet the needs of a whole range of clients. These include:

- public and privately owned businesses and organisations in all sectors of British industry
- schools, hospitals, universities etc
- national and local governments eg roads, railways, tunnels, dams, stadiums and offices
- private citizens, and particularly home owners.

All these clients want the job that is done to be:

- better suited to their own particular needs
- completed more quickly
- cheaper than in the past
- finished to higher standards.

For this to happen, the UK construction industry has to change its approach.

Case 3:-

Case Study for Business Objects (Real time reporting)

Customer Background

SAP Solution: SAP Business Objects

Industry – Electronics Manufacturing and Field Services

Challenges:

- Real time operational reporting
- Significant effort and extensive delays to access information for better decision making
- Sub-optimal Customer Service and relationship management
- Improve efficiency without adding headcount

Client uses its system that is hosted by the Parent in France. Client deals with selling, Leasing and servicing the EFT Machines to super markets, Retail Banks, Retail shops and all merchandise shops. Reporting was very inefficient and was very time consuming and due to the dependency on the Global team based out of France, Australian operation's needs and challenges were not attended to as a priority.

Objectives:

Perisoft provided SAP BusinessObjects EDGE BI software licenses and implemented their reporting solution with a road map of enabling Client's Australian team to the adhoc reporting features as well to make them self-reliant. The project was very cost effective compared to the Parent company internal cost and lead times for developing various adhoc reports. The presentation features of BusinessObjects was an added bonus of the project where the customer where presented with excellent interactive graphical format reports by the sales rep on the run.

Key functionality delivered include:

- DIFOT Analysis (Delivery in Full On time)
- KPI reporting to analyze the SLA's with the customers for the field services

Implementation High Lights:

- Integrated Solution with SAP ERP and avoiding Excel sheet based solutions and etc.
- Zero dependency on Client France IT team
- Excellent through put of Reports and dashboards.
- Increased customer satisfaction and vital statistics to demonstrate the SLA's and etc.

Case 4.

The challenge facing business and society in the 21st century is how to use resources more efficiently. Every business large or small needs to consider carefully:

1. how to reduce its use of energy
2. how to minimise waste.

The central economic problem is how to match finite resources with unlimited wants. With the demand for resources rising as the world economy grows this is becoming more of a challenge. Leading global companies like Anglo American strive to find new solutions to this problem every day.

Anglo American is one of the world's largest mining companies. Its portfolio of mining businesses spans precious metals and minerals - in which it is a global leader in platinum and diamonds, base metals (copper and nickel) and bulk commodities (iron ore, metallurgical coal and thermal coal). The company's mining operations and extensive pipeline of growth projects are located in southern Africa, South America, Australia, North America and Asia. The purpose of the organisation is set out in a mission statement.

'to be the leading global mining company - through the operational excellence of world class assets in the most attractive commodities and a resolute commitment to safe and sustainable mining.'

In 2008 there was a downturn in world economic activity. This resulted from a loss of confidence in the world financial system. The downturn led to a steep fall in commodity prices such as coal, copper and platinum. By late 2009 these prices started to rise again as demand for commodities increased.

Although mining companies are affected by changes in economic activity, mining is a long-term investment business. Firms like Anglo American have to take a long term view of the business. This involves extracting commodities in a sustainable way over a long period of time. The company focuses on those commodities in which it has a favourable position. It concentrates on larger mines where extraction will be possible for many years into the future. It also looks at mining projects where costs can be kept to a minimum but where there are opportunities to expand operations.

There are several issues of sustainability facing Anglo American. Key ones are:

1. securing energy supplies, such as electricity and resources including water, for the future
2. managing emissions to minimise harm.

Anglo American uses large quantities of energy in its operations. It also generates the potential for energy, e.g. by producing coal to generate power stations. A key aim of the company therefore is to do more with less. It must achieve maximum efficiency with minimum waste.

Anglo American believes that by operating in innovative and socially responsible ways it can do things better than its rivals. Doing things better in business is referred to as competitive advantage. Social responsibilities are those duties to all the stakeholders of a business, not just the shareholders. Embedded within social responsibility is the

concept of sustainable development. Sustainable development involves



using resources so that:

- resources are available to meet the needs of people now
- resources can be available to future generations
- the needs of the natural environment are respected.

This case study shows how Anglo American, through its aims and objectives, is driving forward its approach to sustainable development.

Aims and objectives

Businesses need to have clear aims to work towards. Aims are the long term intentions of a business. They provide a focus for its activities. Anglo American's aims are clearly set out in its mission. The aims involve a triple bottom line. Anglo American's "triple bottom line" measures its economic, social and environmental performance. Anglo American seeks to balance the triple bottom line across all its activities - projects and operations. This would translate into:

1. making a profit for shareholders
2. providing returns to society by providing jobs or showing responsibility in international, national and local communities
3. minimising any negative effects on the natural environment.

Every business needs to break down its broad aims into more specific objectives. Objectives are the medium-term "stepping stones" that help a business achieve its aims. For Anglo American, these include:

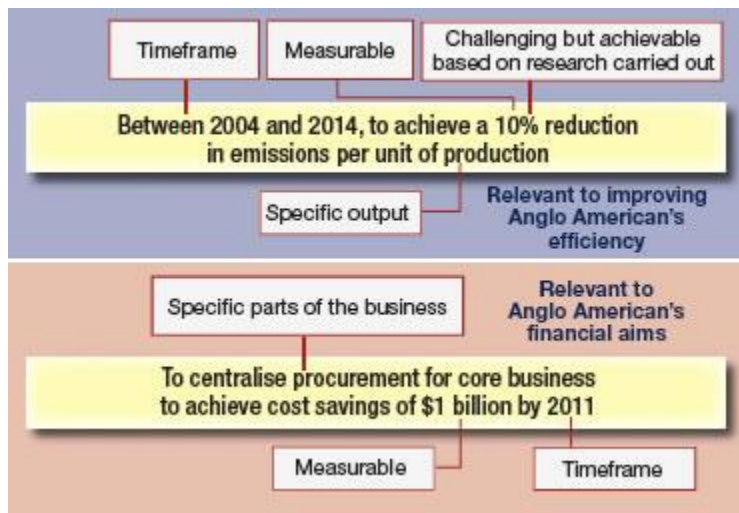
Aim	Example objective
Maximising value for stakeholders including shareholders and local communities	Creating jobs through small and medium enterprise support schemes where its operations are active
To become a ' partner of choice ' for governments	Winning the trust of governments enables Anglo American to grow new markets
To maximise internal efficiencies and reduce costs	For example, by 2011 Anglo American aims to make \$1 billion of savings on purchase of goods and services
To secure energy supply and to reduce emissions	Implementing efficiency projects to manage energy, emissions and waste
To use water efficiently	For example, by re-using water where possible or putting clean water back into the environment.

Page 3: *SMART objectives*

Businesses need to set out their objectives in ways that are clear and easy to measure. Using SMART objectives makes it easy to assess whether targets have been met.

- **Specific** relating to clearly identifiable targets, for example, to be the “partner of choice” for governments.
- **Measurable** set out in ways that can be measured. Examples include cost reductions, waste reductions or energy efficiency targets.
- **Achievable** objectives should not involve unrealistic targets. They should not be set too low either. Anglo American believes that making cost savings of \$1 billion by 2011 is an ambitious yet achievable target.

- **Relevant** the objectives should relate to key business or corporate aims. For Anglo American this means using resources more sustainably.
- **Time-framed** giving a clear deadline or end point by which the objective needs to have been achieved.
- Examples of Anglo American's SMART objectives can be analysed.



Case 5

Background Note

Unilever (called the Unilever Group) functioned as the operational arm of Unilever NV (Netherlands), and Unilever Plc., (UK), its two parent companies.

Though the parent companies operated as separate legal entities (with separate stock exchange listings), they functioned as a single business, with a single set of financials and a common board of directors (See Exhibit I for the group's structure). Unilever was formed in 1930 when a Dutch margarine company, Margarine Unie, and a British soap

company, Lever Brothers merged (See Exhibit II for a brief timeline of Unilever).

While, Margarine Unie had been formed by merging many margarine companies during the 1920s and was a leading global player in the business, Lever Brothers was a name worth reckoning with in the worldwide soap market and had soap factories across the world.

Lever Brothers, diversified into many other businesses (primarily related to foods). At the time of the merger, Margarine Unie and Lever Brothers, together, had operations in over 40 countries. In the 1930s and 1940s, Unilever strengthened its presence in the US by acquiring Thomas J. Lipton (1937) and Pepsodent (1944).

While the company's competitive position was adversely hit when its arch rival P&G launched Tide, a synthetic detergent, in 1946, it continued to prosper in Europe.

This was because of the post-war boom in the demand for consumer goods, the growing popularity of margarine and personal care products, and the new detergent technologies. During the 1960s and 1970s, Unilever rapidly expanded its operations through vertical and horizontal integration, emerging as a diversified conglomerate by the early 1980s.

Diversification into different businesses was prompted in one way or the other by the existing business lines. For instance, oilseeds crushed for use in the margarine and soap businesses, yielded a by-product called 'cattle cake,' and this led the company into the animal feeds business.

Likewise, by-products such as glycerine and fatty acids, formed from processing oil for use in margarine and soap production, prompted its

entry into the chemicals business. The company operated 24 packaging plants (for its consumer products) in six European countries, from where goods were distributed worldwide. This activity made the company one of the largest truckers in Britain and one of the largest shipping company owners... What 'PGS' is all About To achieve the objectives of the PGS, Unilever decided to concentrate on the following areas - modify the existing organizational structure, focus on leading brands, support these leading brands with strong innovation and focused marketing strategies; rationalize the supply chain; simplify business processes; and restructure or weed-out under-performing businesses and brands (See Exhibit III for the key drivers of value creation in the PGS).

Unilever expected the PGS to result in annual cost savings of €1.5 billion by 2004. An additional €1.6 billion in savings was to come from global procurement by the end of 2002.

Apart from this, the PGS was to involve laying off over 25,000 employees (approximately 10% of the employee base) by 2004, on account of divestments or site closures, and restructuring and simplification of processes.

The company announced that though the restructuring would be worldwide, it would mainly focus on the US and Europe...

Results of PGS (Till 2003) In 2000, the company witnessed a dramatic increase in its turnover with sales increasing by 16% to €47.6 billion. This was mainly attributed to the acquisition of the Bestfoods, Slim-fast, Ben & Jerry's and Amora Maille businesses.

Since the announcement of the PGS, Unilever's share price had recovered by 30% to \$59 in August 2001, and this seemed to highlight the positive results of its restructuring exercise.

By July 2002, Unilever's 400 leading brands accounted for 88% of the sales, up from 75% in 1999.

By then, over 30,000 employees had been laid-off. Commenting on the positive results of the PGS in mid-2002, FitzGerald said, "We have now reached the mid-point in the PGS and we continue to be confident about delivering our program.

Brand focus continues apace with 88% of our turnover now attributable to leading brands. These brands are showing great resilience in a tough economic environment and will drive accelerating top line growth..."

Unilever's Future Prospects

In August 2003, Unilever announced its half-yearly results for the year - sales dropped by 15% and profits fell by 13%. During this time, the company reduced its growth forecasts to 4% from the 5%-6%, it had promised its investors in the early 2003, stating that it was struggling with a more challenging business environment - poor sales in the dietary and food service markets, and the sluggish growth in the retail market on account of slower economic growth, worldwide.

In October 2003, Unilever's share price fell by 7% (to 487 pence) on the London Stock Exchange, immediately after it announced that it was lowering its growth forecasts for its leading brands to below 3% for 2003.

The company attributed this move to the waning popularity of its famous fragrance and dieting products (including Calvin Klein, Eternity, Prestige and Slim-Fast), and the poor performance of its other health and wellness products. This was the second time in 2003, that the company had reduced its growth forecasts for its leading brands.

FitzGerald blamed himself for the fall in the company's share price, after the announcement of reduced growth rates. According to him, the market had misunderstood Unilever's growth forecasts previously as the company had failed to communicate them clearly to its investors

Chapter 2:-

Multiple choice questions

Analysing the business environment best assists in:

- A) Identifying key competitive forces; identifying competitive position; identifying key opportunities, threats, strengths and weaknesses.
- B) Auditing macro environmental influences; identifying key competitive forces; identifying competitive position; identifying key opportunities and threats.
- C) Auditing external and organisational factors; identifying key competitive forces; identifying competitive position; identifying key opportunities and threats.
- D) Assessing historical trends; auditing environmental dangers; identifying strategic capabilities; identifying competitive position.

In relation to the PESTEL framework which of the following statements is correct:

(Select one answer only)

A) It assists in the assessment of organisational strengths and weaknesses.

B) It allows a detailed analysis of the structure of an industry.

C) It can be used as a checklist to understand the different environmental influences in the macro environment.

D) Takes an historical perspective on the main political, economic, sociocultural, technological, environmental and legal factors.

The following factors are key drivers of globalisation:

A) Government action, exchange rates, competition and sociodemographic factors.

B) Market convergence, competition, exchange rates and cost advantages.

C) Cost advantages, government action, economic cycles and competition.

D) Market, cost, competition and government policies.

Scenarios are used to:

(Select one answer only)

A) Develop a long term view of strategy.

B) Build plausible views of different possible futures and develop a long term view of strategy.

C) Identify key drivers of change.

D) Develop a view of an environment which has a high degree of uncertainty, build plausible views of different possible futures and take a long term view of strategy.

Porter suggests the following reasons for one nation being more competitive than another:

(Select one answer only)

A) Ability to speak English; developed network of supporting industries; absence of competition; and low labour cost.

B) Abundant natural resources; skilled labour force; temperate climate; and democracy.

C) Factor conditions; demand conditions; related and supporting industries; and firm strategy, industry strategy and rivalry.

D) Strong sporting ethos; emphasis on individual achievement; strong national party in power; large home market.

The five forces that affect the level of competition in an industry are:

(Select one answer only)

A) Threat of entrants; power of buyers; power of suppliers; threat of substitutes; competitive rivalry.

B) Threat of buyers; power of entry; power of substitutes; threat of suppliers; threat of recession.

C) Threat of recession; power of buyers; power of suppliers; threat of management failure; competitive rivalry.

D) Threat of entry; power of buyers; power of suppliers; threat of substitutes; government action.

Which of the following statements in relation to the Five Forces framework is correct?

(Select one answer only)

A) The framework assists in developing a broad perspective on the environment within which an organisation is operating.

B) It is not appropriate in public sector management.

C) The framework is a means of identifying the forces which affect the level of competition in an industry or sector.

D) The framework identifies the major stakeholders of an organisation.

In the Five Forces framework, the term “threat of entrants” means:

(Select one answer only)

A) The possibility of an existing competitor capturing the entire market.

B) The possibility of an existing competitor withdrawing from the market.

C) The possibility of a new competitor entering the market.

D) The possibility of a potential competitor entering a different market

Which of the following could be effective in preventing a potential competitor from entering the market?

(Select all the answers that apply)

A) High capital costs.

B) Differentiation.

C) Retaliation.

D) Low switching costs for buyers.

The threat of substitutes may be high if:

(Select one answer only)

A) Switching costs are of concern to the customer.

B) The substitute product provides a higher perceived value or benefit.

C) The substitute product does not provide enhanced functionality, reduced cost and better quality.

D) Customers have strong existing brand loyalty.

Buyers can exercise high bargaining power over their suppliers if:

(Select all the answers that apply)

A) The volume they buy accounts for a large percentage of their suppliers' sales.

- B) There are few buyers in the market.
- C) They have many suppliers to choose from.
- D) There is a high concentration of suppliers.

Assessment of competitive rivalry does NOT include an understanding of:

(Select one answer only)

- A) The extent to which competitors are in balance.
- B) Market growth rates.
- C) Fixed costs, exit barriers and operational efficiency.
- D) The management structure of an organisation.

Strategic Groups are:

(Select one answer only)

- A) A group of companies competing in the same industry.
- B) Organisations in the same industry with similar characteristics and following similar strategies.
- C) Strategic Business Units (SBUs).
- D) Organisations following similar strategies.

Market segmentation aims to:

(Select one answer only)

- A) Identify the similarities and differences between groups of customers or users.
- B) Identify the similarities between groups of customers or users.
- C) Identify the differences between organisations and their competitors.
- D) Identify the needs and wants of all customers or users.

What are the bases of market segmentation?

(Select one answer only)

- A) The business environment; the attractiveness of the market; the purchase/use situation.
- B) The strength of the competitors; the attractiveness of the market; the organisational structure.
- C) Strategic capabilities; organisational structure; organisational culture.
- D) The characteristics of the people/organisations; the purchase/use situation; users' needs and preferences for product characteristics.

Strategic gaps are:

(Select one answer only)

- A) Weaknesses in a company's resources or competences.
- B) Opportunities in the business environment not being fully exploited by the competition.

C) Opportunities in the same market segment.

D) Opportunities in new market segments.

Critical Success Factors are:

A) Those product features that are particularly valued by a group of customers and, therefore, where an organisation must excel to outperform competition.

B) Those factors which are critical to the success of the organisation's main competitors.

C) Both answers A and B.

D) Those product features that a company is particularly competent at providing.

Critical success factors in the public sector usually relate to:

(Select one answer only)

A) More than one stakeholder.

B) The expectations of service users.

C) Government imposed standards.

D) The expectations of the providers of funds

Chapter 3:-

Question 1

What is a 'grand theory'?

a) One that was proposed by one of the major theorists in the sociological tradition

- b) One that is highly abstract and makes broad generalizations about the social world
- c) An intermediate level explanation of observed regularities
- d) A particularly satisfactory theory that makes the researcher feel happy

Question 2

What does an empiricist believe?

- a) We should not apply natural science methods to social science research
- b) It is the sociologist's aim to understand the meaning of social action
- c) Knowledge, in the form of 'facts', should be gained through sensory experience
- d) Research conducted within the British empire was biased and unreliable

Question 3

An inductive theory is one that:

- a) Involves testing an explicitly defined hypothesis
- b) Does not allow for findings to feed back into the stock of knowledge
- c) Uses quantitative methods whenever possible
- d) Allows theory to emerge out of the data

Question 4

What is the epistemological position held by a positivist?

- a) There is no substitute for an in-depth, hermeneutic understanding of society

- b) Scientific research should be based on value-free, empirical observations
- c) Events and discourses in the social world prevent us from having direct knowledge of the natural order
- d) It is important to remain optimistic about our research, even when things go wrong

Question 5

The interpretivist view of the social sciences is that:

- a) Their subject matter is fundamentally different to that of the natural sciences
- b) We should aim to achieve the interpretive understanding of social action
- c) It is important to study the way people make sense of their everyday worlds
- d) All of the above

Question 6

Which of the following is an ontological question?

- a) Should I use questionnaires or interviews in my project?
- b) What can (and should) be considered acceptable forms of knowledge?
- c) How long is it since I last visited the dentist?
- d) Do social entities have an objective reality, external to social actors?

Question 7

The constructionist ontological position suggests that:

- a) Social phenomena and their meanings are constantly being accomplished by social actors
- b) Individuals are born into a world of rules and structures that they cannot change
- c) Building and construction work presents an ideal opportunity to exercise the sociological imagination
- d) Social facts and objects have an external reality, independently of the people who perceive them

Question 8

The qualitative research strategy places a value on:

- a) Using numbers, measurements and statistical techniques
- b) Generating theories through inductive research about social meanings
- c) Conducting research that is of a very high quality
- d) All of the above

Question 9

Which of the following is an example of value-free research?

- a) Conscious partiality
- b) Sympathy for the underdog
- c) Unstructured interviewing
- d) None of the above

Question 10

An important practical issue to consider when designing a research project is:

- a) Which theoretical perspective you find most interesting
- b) Whether or not you have time to retille the bathroom first

- c) How much time and money you have to conduct the research
- d) Which colour of ring binder to present your work in

Question 11

Which of the following requirements for a dissertation may depend on your institution?

- a) Whether an abstract should be included
- b) The format for referencing
- c) The word limit
- d) All of the above

Question 12

The role of a project supervisor is to:

- a) Make sure you keep to your schedule and deadlines
- b) Provide intellectual support, guidance and critical feedback
- c) Negotiate access to the research setting on the student's behalf
- d) Give you a reading list

Question 13

You can manage your time and resources best, by:

- a) Working out a timetable
- b) Finding out what resources are readily available to you
- c) Calculating a budget for likely expenditure
- d) All of the above

Question 14

What did Marx (1997) mean when he suggested that "intellectual puzzles and contradictions" can be a possible source of research questions?

- a) The researcher may feel that there is a contradiction in the literature, presenting a "puzzle" to be solved
- b) Students can develop their IQ levels by attempting to solve intellectual puzzles
- c) Unless you can find a logical contradiction, you have no basis for conducting research
- d) All of life is a puzzle, so any aspect of life can be researched

Question 15

How can you tell if your research questions are really good?

- a) If they guide your literature search
- b) If they are linked together to help you construct a coherent argument
- c) If they force you to narrow the scope of your research
- d) All of the above

Question 16

Which of the following should be included in a research proposal?

- a) Your academic status and experience
- b) The difficulties you encountered with your previous reading on the topic
- c) Your choice of research methods and reasons for choosing them
- d) All of the above

Question 17

Which of the following should you think about when preparing your research?

- a) Your sample frame and sampling strategy
- b) The ethical issues that might arise

- c) Negotiating access to the setting
- d) All of the above

Question 18

Why is it helpful to keep a research diary or log book while you are conducting your project?

- a) To give you something to do in the early stages of your research when nothing is happening
- b) Because funding councils generally demand to see written evidence that you were working every day during the period of the research
- c) To keep a record of what you did and what happened throughout the research process
- d) It can be added to your dissertation to ensure that you reach the required word limit

Question 19

What can you do to ensure your physical safety during your research?

- a) Be alert to the possibility of exposure to danger
- b) Avoid interviewing alone in the respondent's residence
- c) Make sure someone knows where you are and how you can contact them in an emergency
- d) All of the above

Question 20

What practical steps can you take before you actually start your research?

- a) Find out exactly what your institution's requirements are for a dissertation

- b) Make sure you are familiar with the hardware and software you plan to use
- c) Apply for clearance of your project through an ethics committee
- d) All of the above

Chapter 4:-

Business Management Multiple Choice Questions

2. Which of the following would not be considered a basic source of globalization?

- a. Similar customer needs
- b. Growth in trading blocks
- c. Advances in communication technology
- d. Differentiation among countries

3. The sale of government owned business to private investors is known as

- a. A tax sale
- b. Bureaucratic divestiture
- c. Privatization
- d. Capitalization

4. Which of the following statements about globalization is false?

- a. Globalization is a simple evolutionary process
- b. Not all economies of the world are benefiting equally from globalization
- c. Terrorism, wars and SARS has limited and even reversed the effects of globalization
- d. All of the above statements are false

5. Some people believe that the norms, values, and beliefs of their own culture represent the only correct ways of dealing with the world. This is called

- a. High power distance
- b. Stereotyping
- c. Androgyny
- d. Ethnocentrism

6. High power distance countries have norms, values, and beliefs such as

- a. It is best to exercise power privately
- b. Everyone has a place, some are high and some are low
- c. A leader should develop his or her subordinates
- d. Leaders are made and not born

7. A culture which has dominant values of success, money, and material things is probably

- a. Low on power distance
- b. Low on individualism
- c. High on masculinity
- d. High on long term orientation

8. Expressions of anger, laughter, gesturing, and emotional outbursts are considered acceptable in

- a. Specific cultures
- b. Diffuse cultures
- c. Neutral cultures
- d. Affective cultures

9. Preference for involvement in multiple areas of life and levels of life simultaneously are more likely in

- a. Specific cultures
- b. Diffuse cultures
- c. Neutral cultures
- d. Affective cultures

10. Which of the following statements is NOT TRUE regarding the experiences countries go through as they under market transitions from socialism to a more market based economy?

- a. Drastic measures have to be taken to turn around formerly inefficient companies
- b. Managers' thinking have to be changed so that they can understand management functions
- c. Financial systems have to be left unregulated to accurately reflect market prices
- d. More workers have to be hired as companies find that they are understaffed

11. Which of the following religion prohibits multinationals from paying or receiving interest on transactions?

- a. Islam
- b. Buddhism
- c. Christianity
- d. Hinduims

12. Which of the following religion is based on the idea that craving and desires produce suffering but that it also possible to reach a stage where there is no longer any suffering?

- a. Hinduism
- b. Islam

c. Christianity

d. Buddhism

13. Which of the following DOES NOT explain why globalization is pushing organizations to become more similar?

a. Global products and customers

b. Global competition and global trade

c. Growing levels of industrialization and economic development

d. Growing convergence in national cultures and social institutions

14. Differentiation leads to higher profits by

a. Charging a higher price than competitors

b. Offering the customer better value

c. Communicating the better value to customers

d. All of the above

15. Upstream activities in the value chain are concerned with

a. The primary activities

b. The support activities

c. Input logistics

d. After market service

Chapter 5:-

Question 1

The term 'differential performance' refers to:

- a) The way that firms differentiate themselves
- b) The way that firm's vary over time in their profitability
- c) The effect that industry has on a firm's performance
- d) The differences in performance between firms with similar resources operating in the same industry

Question 2

Within the debate regarding differential performance, Rumelt (1991) is of the view that:

- a) Industry is the main driver of firm performance
- b) The internal resources of the firm are the main driver of firm performance
- c) The type of generic strategy chosen is the main driver of firm performance
- d) Leadership is the main driver of firm performance

Question 3

The value chain is subdivided into two main headings. These are primary activities and:

- a) Peripheral activities
- b) Support activities
- c) Secondary activities
- d) Outsourced activities

Question 4

The primary activities in Porter's Value Chain are:

- a) Inbound logistics, operations, outbound logistics, marketing and sales, service
- b) Procurement, operations, outbound logistics, marketing and sales, service
- c) Inbound logistics, operations, distribution, marketing and sales, service
- d) procurement, operations, distribution, marketing and sales, service

Question 5

The support activities in Porter's Value Chain are:

- a) Procurement, technology development, human resource management, finance
- b) Procurement, technology development, human resource management, firm infrastructure
- c) Procurement, technology development, human resource management, leadership
- d) Procurement, technology development, human resource management, organizational structure

Question 6

The 'operation' in a passenger airline service would be:

- a) The manufacture of the aircraft
- b) Getting passengers and baggage from A to B by means of flying in an aircraft
- c) The design of the price structure and yield plan
- d) Selling the tickets to passengers

Question 7

Which of the following activities is not the direct concern of the procurement activity?

- a) Negotiating prices on raw materials
- b) Obtaining assets such as plant and machinery
- c) Receiving raw materials into the operation
- d) Deciding whether to manage quality jointly with the supplier

Question 8

The leadership style of the person leading an organization would come under which support activity?

- a) Procurement
- b) Technology development
- c) Human resource management
- d) Firm infrastructure

Question 9

The primary and support activities contain a further subdivision of activities that impact on competitive advantage. These are:

- a) Direct activities, indirect activities and quality assurance
- b) Direct activities, indirect activities and learning
- c) Direct activities, indirect activities and development
- d) Direct activities, indirect activities and peripheral activities

Question 10

Porter suggests that linkages within the value chain can lead to competitive advantage in two ways. These are Optimization and:

- a) Consolidation
- b) Convergence
- c) Cooperation

- d) Coordination

Question 11

The decision regarding whether to do manufacturing within the organization or to sub-contract it to someone else is popularly known as:

- a) An 'in or out' decision
- b) A 'make or buy' decision
- c) A 'do-it-yourself' decision
- d) A 'vertical-integration' decision

Question 12

The value-chains of different organizations that form relationships with each other can be seen as being part of a:

- a) Value chain system
- b) Buyer-supplier relationship
- c) Transactional relationship
- d) Value trust system

Question 13

A firm shares its offices with another firm in a foreign location to reduce costs. This is an example of:

- a) Outsourcing
- b) Economies of scope
- c) Synergy
- d) A core competence

Question 14

WH-Smith the stationer and bookseller has a store on most high streets in the UK. In terms of the SWOT analysis, this could be considered a:

- a) Strength
- b) Weakness
- c) Strength and a weakness
- d) Neither a strength or a weakness

Question 15

The two main schools of thought regarding how competitive advantage is achieved are:

- a) The environment school and the resources school
- b) The positioning school and the resource-based view
- c) The positioning school and the SWOT view
- d) The environment school and the value school.

