

Case study on planning

Question 9.

Super Fine Rice Ltd. has the largest share of 55% in the market. The company's policy is to sell only for cash. In 2015, for the first time company's number one position in the industry has been threatened because other companies started selling rice on credit* also. But the managers of Super Fine Rice Ltd. continued to rely on it's previously tried and tested successful plans which didn't work because the environment is not static. This led to decline in sales of Super Fine Rice Ltd. The above situation is indicating two limitations of planning which led to decline in it sales.

Identify these limitations. **(CBSE, Sample Paper, 2017)**

Answer:

The two limitations of planning which led to decline in it sales are:

Planning does not guarantee success.

Planning may not work in dynamic environment.

Question 10.

State the main aspects in the concept of planning. **(CBSE, Sample Paper, 2017)**

Answer:

The concept of planning primarily involves three aspects namely;

Setting objectives in clear specific and measurable terms for a given period of time.

Identifying the various alternative courses of action which may be adopted to achieve the objectives.

Selecting the best possible alternative course of action from among the various courses of action available.

Question 11.

Laxmi Chemicals Ltd., a soap manufacturing company, wanted to increase its market share from 30% to 55% in the long-run. A recent report submitted by the Research & Development Department of the company had predicted a growing trend of herbal and organic products. On the basis of this report, the company decided to diversify into new variety of soaps with natural ingredients having benefits and fragrances of Jasmine, Rose, Lavender, Mogra, Lemon Grass, Green Apple, Strawberry etc. The Unique Selling Proposition (USP) was to promote eco-friendly living in the contemporary life style. The company decided to allocate t 30 crores to achieve the objective.

Identify the type of one of the functions of management mentioned above which will help the company to acquire dominant position in the market. **(CBSE, Sample Paper 2016)**

Answer:

Strategy is the type of plan which will help the company to acquire dominant position in the market.

Question 12.

Suhasini, a home science graduate from a reputed college, has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable prices. She discussed her idea with her teacher (mentor) who encouraged her. After analysing various options for starting her business venture, they short listed the option to sell ready made and 'ready to make' vegetable shakes and sattu milk shakes. Then, they weighed the pros and cons of both the short listed options.

Name the function of management being discussed above and give any one of its characteristics.

Also briefly discuss any three limitations of the function discussed in the case. **(CBSE, Sample Paper 2016)**

Answer:

Planning is the function of management which is being discussed above.

Planning involves decision-making: Planning essentially involves application of rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.

The limitations of planning are described below:

Planning may not work in a dynamic environment: The business environment is dynamic in nature. Every organisation has to constantly adapt itself to changes in its environment in order to survive and grow. However, it is difficult to anticipate all the likely future changes in the environment with utmost accuracy. Hence, even with planning, everything cannot be foreseen.

Planning reduces creativity: The top management undertakes planning of various activities whereas the other members are expected to merely implement these plans. This restricts the creativity of the middle level managers as they are neither allowed to deviate from plans nor are they permitted to act on their own.

Planning involves huge costs: The process of planning involves huge cost in terms of time and money as detailed planning is based on a series of scientific calculations. Moreover, it may include a number of related costs as well, like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan. As a result, the expenses on planning may turn out to be much more than benefits derived from it.

Question 13.

Two years ago, Madhu completed her degree in food technology. She worked for sometime in a company that manufactured chutneys, pickles and murabbas. She was not happy in the company and decided to have her own organic food processing unit for the same. She set the objectives and the targets and formulated an action plan to achieve the same.

One of her objectives was to earn 10% profit on the amount invested in the first year. It was decided that raw materials like fruits, vegetables, spices, etc. will be purchased on three months credit from farmers cultivating only organic crops. She also decided to follow the steps required for marketing of the products through her own outlets. She appointed Mohan as the Production Manager who decided the exact manner in which the production activities were to be carried out. Mohan also prepared a statement showing the number of workers that will be required in the factory throughout the year. Madhu informed Mohan about her area wise sales target for different products for the forthcoming quarter. While working on the production table, a penalty of ₹ 100 per day for not wearing caps, gloves and apron was announced.

Quoting lines from the above paragraph, identify and explain the different types of plans discussed. **(CBSE, Delhi 2016)**

Answer:

The different types of plans discussed above are listed below:

Objectives: Objectives are the end results of the activities that an organisation seeks to achieve through its existence. All other activities within the organisation are directed towards achieving these objectives.

“One of her objectives was to earn 10% profit on the amount invested in the first year.”

Policy: A policy is a set of general guidelines that helps in managerial decision making and action.

“It was decided that the raw materials like fruits, vegetables, spices, etc. will be purchased on three months credit from farmers cultivating only organic crops.”

Procedure: A procedure contains a series of specific steps to be performed in a chronological order to carry out the routine activities.

“She also decided to follow the steps required for marketing of the products through her own outlets.”

“The exact manner in which the production activities are to be carried out.”

Rule: A rule is a specific statement relating to the general norms in terms of Do's and Don't's that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation.

“While working on the production table, a penalty of ₹ 100 per day for not wearing caps, gloves and aprons was announced.”

Budget: A budget refers to a financial plan that is expressed in numerical terms.

“Mohan also prepared a statement showing the number of workers different products for the forthcoming quarter.”

Question 14.

Two years ago, Mayank obtained a degree in food technology. For some time, he worked in a company that manufactured bread and biscuits. He was not happy in the company and decided to have his own bread and biscuits manufacturing unit. For this, he decided the objectives and the targets, and formulated an action plan to achieve the same.

One of his objectives was to earn 50% profits on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt, etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as the Production Manager who decided the exact manner in which the production activities were to be carried out. Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. Mayank informed Harsh about his own sales target for different products, for the forthcoming quarter. While working on the production table, a penalty of ₹150 per day was announced for not wearing the helmet, gloves and apron by the workers.

Quoting lines from the above paragraph, identify and explain the different types of plans discussed. **(CBSE, OD 2016)**

Answer:

The different types of plans discussed above are listed below:

Objectives: Objectives are the end results of the activities that an organisation seeks to achieve through its existence. All other activities within the organisation are directed towards achieving these objectives. “One of her objectives was to earn 50% profit on the amount invested in the first year.”

Policy: A policy is a set of general guidelines that help in managerial decision making and action. “It was decided that the raw materials like flour, wheat, sugar, etc. will be purchased on two months credit.”

Method: A method refers to the prescribed ways or manner in which a task has to be performed considering the objective.

“..decided the exact manner in which production activities were to be carried out.”

Procedure: A procedure contains a series of specific steps to be performed in a chronological order to carry out the routine activities.

“He also decided to follow the steps required for marketing of the products through his own outlets.”

Rule: A rule is a specific statement relating to the general norms in terms of Do's and Don't's that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation.

“While working on the production table, a penalty of Rs. 150 per day was announced for not wearing helmets, gloves and aprons by the workers.”

Question 15.

Rahul, a worker, is given a target of assembling two computers per day. Due to his habit of doing things differently, an idea struck him which would not only reduce the assembling time of computers but would also reduce the cost of production of the computers. Instead of appreciating him, Rahul's supervisor ordered him to complete the work as per the methods and techniques decided earlier as nothing could be changed at that stage. The above paragraph describes one of the limitations of the planning function of management. Name and explain that limitation. **(CBSE, Delhi Comptt. 2011)**

Answer:

The limitation of the planning function of management described in the above paragraph is that 'planning reduces creativity.' The top management undertakes planning of various policies and procedures whereas the other members are expected to merely implement these plans. This restricts

the creativity of the middle level managers as they are neither allowed to deviate from plans, nor permitted to act on their own.

ADDITIONAL QUESTIONS

Question 1.

Josh Ltd. is a one of the largest two-wheeler manufacturer in India. It has a market share of about 42% in the two-wheeler category. The company had witnessed almost a 35% drop in the booking as the currency crunch was prompting people to withhold new purchases due to demonetisation. Therefore, the production manager of the company had decided to align production to factor in slower sales in the market.

In context of the above case:

Identify and explain the function of management being discussed in the above lines.

Which limitations of the function of management as identified in part (a) of the question was the production manager trying to overcome due to demonetisation?

Answer:

Planning is the function of management which is being discussed in the above lines.

Planning is deciding in advance what to do, how to do, when to do and who has to do it. Thus, it involves setting objectives and developing an appropriate course of action to achieve these objectives.

The production manager is trying to overcome the following limitations of planning:

Rigidity

Planning may not work in dynamic environment

Question 2.

The term demonetisation has become a household name since the government pulled the old Rs. 500 and Rs. 1,000 notes out of circulation in November 2016. Prior to the year 2016, the Indian government had demonetised bank notes on two prior occasions—once in the year 1946 and then again in the year 1978. In both cases, the purpose was to combat tax evasion by 'black money'. Identify the types of one of the functions of management being discussed in the above lines.

Answer:

Objective and Strategy

Question 3.

The arrangement to demonetise the ₹ 500 and ₹1000 bank notes began six to ten months prior to the public announcement and was kept highly confidential. The cabinet was informed about the demonetisation on 8th November 2016 in a meeting called by the Prime Minister of India, Narendra Modi. This was followed by Modi's public announcement about the demonetisation in a televised address where he announced that currency notes with the denomination of ₹ 500 and ₹ 1000 would cease to be the legal tender from 9th of November 2016. The most interesting thing regarding the demonetisation is that people were devising various unique ways for transforming their black money in to white one by depositing money in the accounts of their poor relatives and friends, converting black money in to gold, paying a few months salaries in advance and so on.

In context of the above case:

Identify and explain the types of plans being discussed in the above lines with regard to demonetisation.

Answer:

The various types of plans being discussed in the above lines with regard to demonetisation are detailed below:

Procedure: It is a series of chronological steps which are performed to do a particular activity.

Rule: A rule is a specific statement relating to the general norms in terms of Do's and Don'ts that guide the behaviour of people.

Question 4.

Flipkart is an e-commerce company founded in the year 2007 by Sachin Bansal and Binny Bansal. The company is registered in Singapore, but has its headquarters in Bangaluru, India. The company seeks to increase traffic (more clicks on their products) and boost sales and revenue through integration of Mobile Apps, Display, Pay Per Click and Search Engine Optimization. In order to dispel the fear of people related to shopping online, Flipkart was the first company to implement the popular 'Cash on Delivery' facility. All the products sold by the company under a particular category may have different return/replacement period. Flipkart allows multiple payment options such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery. The company operates both ways when an order is received. The products for which it holds inventory are dispatched by it directly. For the products they do not store in inventory, they just send the order received by them to the supplier who ships it. The company plans to spend about ₹ 75 crores on e-Commerce advertising in the year 2016. Flipkart reserves the right to terminate your membership and/or refuse to provide you with access to the website if it is brought to Flipkart's notice or if it is discovered that you are under the age of 18 years. This is because as per the Indian Contract Act, 1872, the minors, un-discharged insolvents, etc. are not eligible to use the website.

In context of the above case, identify and explain the different types of plans being used by Flipkart by quoting lines from the paragraph.

Answer:

The different types of plans being used by Flipkart are listed below:

Objectives: Objectives are the end results of the activities that an organisation seeks to achieve through its existence. All other activities within the organisation are directed towards achieving these objectives.

"The company seeks to increase traffic (more clicks on their products) and boost sales and revenue through integration of Mobile Apps, Display, Pay Per Click and Search Engine Optimization."

Strategy: A strategy is a comprehensive plan for achieving the objectives of the organisation. This comprehensive plan involves:

determining long term objectives

adopting a particular course of action

allocating resources necessary to achieve the objective.

"In order to dispel the fear of people related to shopping online, Flipkart was the first company to implement the popular 'Cash On Delivery' facility."

Policy: A policy is a set of general guidelines that help in managerial decision making and action.

"All the products sold by the company under a particular category may have different return/replacement period."

Method: A method refers to the prescribed ways or manner in which a task has to be performed considering the objective.

"Flipkart allows multiple payment options such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery."

Procedure: A procedure contains a series of specific steps to be performed in a chronological order to carry out the routine activities.

"The company operates both ways when an order is received. The products for which it holds inventory are dispatched by it directly. For the products they do not store in inventory, they just send the order received by them to the supplier who ships it."

Budget: A budget refers to a financial plan that is expressed in numerical terms.

"The company plans to spend about ₹ 75 crores on e-commerce advertising in the year 2016."

Rule: A rule is a specific statement relating to the general norms in terms of Do's and Don'ts that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation.

“Flipkart reserves the right to terminate your membership and/or refuse to provide you with access to the Website if it is brought to Flipkart’s notice or if it is discovered that you are under the age of 18 years. This is because as per the Indian Contract Act, 1872, the minors, un-discharged insolvents etc. are not eligible to use the Website.”

Question 5.

Rajender has been running a successful business of manufacturing traditional wedding wear for women including sarees and lehengas. His friend Surinder who is engaged in the business of providing web designing solutions to his clients, suggests him to explore the option of selling his products online. Rajender agrees to his suggestion and decides to venture into online business, keeping in view the various e-commerce regulations in order to avoid imposition of any penalty. In order to facilitate the sale of his products, Rajender decides to offer multiple payment options such as cash on delivery, credit or debit card transactions, net banking to the buyers etc.

In context of the above case:

Identify the two different types of plans mentioned in the above paragraph that relate to the online portal that Rajinder intends to start by quoting lines from the paragraph.

Distinguish between the two types of plans as identified in part (a).

Answer:

Rule and Method are the two different types of plans that relate to the online portal that Rajender intends to start.

Rule: “Rajender agrees to his suggestion and decides to venture into online business keeping in view the various e-commerce regulations in order to avoid imposition of any penalty.”

Method: “However, he decides to offer multiple payment options such as cash on delivery, credit or debit card transactions, net banking to the buyers etc.”

The difference between rule and method is as follows:

Basis	Rule	Method
Meaning	Rules are specific statements that tell people what should or should not be done.	Methods define the way of doing routine or respective job.
Violation	Violation of rules may lead to imposition of penalties.	Method does not involve any penalties on violation.
Purpose	Rules help to maintain discipline.	Methods help in carrying out the job efficiently.
Nature	Rules are both specific and rigid.	Methods are specific (well defined) but flexible.
Example	No smoking, No Parking etc.	Method of payment of fee-cheque, cash, online etc.

Question 6.

Wazir Ahmed joins ‘Ashiyana Ltd.’ a company dealing in real estate, as a human resource manager. Through a series of interactions with his team during lunch breaks, he comes to know that quite a few managers at middle and senior levels have recently left the organisation as their promotions were overdue. Therefore, in order to reinstate the confidence of the staff, he lays out a clear cut plan consisting of a set of general guidelines for both time bound and performance related appraisals of the managers at all levels. Moreover, he develops standardized processes containing a series of steps specified in a chronological order for its implementation.

In context of the above case:

Identify the two different types of plans that Wazir Ahmed proposes to implement in order to reinstate the confidence of the staff by quoting lines from the paragraph.

Distinguish between the two types of plans as identified in part (a).

Answer:

Policy and Procedure are the two different types of plans that Wazir Ahmed proposes to implement in order to reinstate the confidence of the staff.

Policy: "... he lays out a clear cut plan consisting of a set of general guidelines for both time bound and performance related appraisals of the managers at all levels."

Procedure: "Moreover, he develops standardized processes containing a series of steps specified in a chronological order for its implementation."

The difference between Policy and Procedure is outlined below:

Basis	Policy	Procedure
Meaning	Policies are general statements that guide managerial decision making.	It is a series of chronological steps which are performed to do a particular activity.
Level of management	It is determined by top level management.	It is determined by lower and middle level management.
Expression	It is a general statement.	It is a specific statement.
Manager's Discretion	It provides scope for managerial discretion.	There is no scope for managerial discretion.
Purpose	Policies are framed to achieve the objectives of an organisation. They all guide in implementing the strategy.	A procedure is framed to implement a policy.

Question 7.

'Apna Ghar/ a company dealing in consumer durables, plans to increase the sale of its products by 25% around Diwali this year. Moreover, in order to cash on the implementation of the seventh pay commission by that time, which is likely to raise the income of 47 lakh serving employees of the Central government and 52 lakh pensioners, the company has created 30 advertisement films which will be aired across 85 national and regional channels until Diwali.

In context of the above case:

Identify the two different types of plans that 'Apna Ghar' proposes to implement by quoting lines from the paragraph.

Distinguish between the two types of plans as identified in part(i).

Answer:

Objective and Strategy are the two different types of plans that 'Apna Ghar' proposes to implement.

Objective: "Apna Ghar', a company dealing in consumer durables, plans to increase the sale of its products by 25% around Diwali this year."

Strategy: "Moreover, in order to cash on the implementation of the seventh pay commission by that time which is likely to raise the income of 47 lakh serving employees of the Central government and 52 lakh pensioners, the company has created 30 advertisement films which will be aired across 85 national and regional channels until Diwali."

The difference between objectives and strategy is outlined below:

Case study on Business environment

Question 1:

Metlapp Networks and Technologies Ltd. is a leader in technology innovation in the United States, creating products and solutions for connecting the world. It has, a large research and development team which invented the first smart watch, named as W-7. The watch besides showing the time, also monitors few health parameters like heart beat, blood pressure etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of simplified export procedure and removal of quantitative as well as tariff restrictions in India.

It set up its office in Jamnagar with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefiting the customers.

1. In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.
2. Also, explain briefly any three impacts of these concepts on Indian business and industry.

Answer:

1. Liberalisation and globalisation are the two major concepts related to government policy that have been discussed.
 - Liberalisation: These economic reforms signalled the end of the licence-permit-quota raj and were aimed at liberalising the Indian business and industry from all unnecessary controls and restrictions.
 - Globalisation: Globalisation means the integration of the various economies of the world leading towards the emergence of a cohesive global economy.
2. The three impacts of reforms on Indian business and industry are outlined below:
 - Increasing competition: The Indian firms are facing lot of competition due to changes in the rules of industrial licensing and entry of foreign firms. This change is more apparent in the sectors which were earlier reserved for private sector only like banking, insurance, telecommunications, etc.
 - More demanding customers: With the easy availability of wider choice in purchasing better quality of goods and services due to high competition consumers have become more aware and demanding. The growing expectations of the consumers has increased the pressure on the business firms.
 - Rapidly changing technological environment: With the entry of new firms which are far more superior in terms of technology the small firms are facing a lot of challenges. Moreover, the firms are constantly involved in innovating new products and upgrading present products with the help of better technologies in order to satisfy the customers demands.

Question 2:

Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the

idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyse the business environment which consists of investors', competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes which may hinder their business performance. He emphasised on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

1. Identify and state the component of business environment highlighted in the above Para.
2. State any two features of business environment as discussed by Professor Mehta with Naman and Govind.
3. Also state two points of importance of business environment as stated by Professor Mehta in the above situation.

Answer:

1. Technological Environment is the component of business environment highlighted in the above Para. Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
2. The two features of business environment as discussed by Professor Mehta with Naman and Govind are as follows:
 - Dynamic nature: It is dynamic in nature and keeps on changing due to technological upgradations, shifts in consumer preferences or increase in competition in the market.
 - Inter-relatedness: All the elements of business environment are closely interrelated. Therefore, any change in one element may necessitate corresponding changes in the other elements as well.
3. The two points of importance of business environment as stated by Professor Mehta in the above situation are described below:
 - It enables the firm to identify opportunities and getting the first mover advantage: The dynamic business environment provides numerous opportunities for a business to evolve as per the changing needs. Therefore, early identification of the forthcoming opportunities helps an enterprise to be the first to exploit them instead of losing them to the competitors.
 - It helps the firm to identify threats and early warning signals: Sometimes the changes in the external environment may pose as a threat and hinder a firm's performance. An awareness about the business environment helps the managers to identify such threats on time and take necessary decisions and action.

Question 3:

With changes in the consumption habits of people, Neelesh, who was running a sweet shop, shifted to the chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got a lot of orders online and earned huge profits by selling the

chocolate.

Identify and explain the dimensions of business environment discussed in the above case.

Answer:

The various dimensions of business environment being referred to in the above case are as follows:

1. **Social environment:** Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
2. **Technological environment:** Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

Question 4:

A recent rate cut in the interest on loans announced by the banks encouraged Amit, a science student of Progressive School, to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organised by the Directorate of Education. He was awarded the first prize for his invention.

Identify and explain the dimensions of business environment discussed in the above case.

Answer:

The various dimensions of business environment being referred to in the above case are as follows:

1. **Economic Environment:** It comprises of factors that can affect management practices in a business enterprise includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.
2. **Technological Environment:** It includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

Question 5:

'Accent Electronics Ltd.' was operating its business in Malaysia. The company started exporting its products to India when the Prime Minister announced relaxation in import duties on electronic items. The company appointed retailers in India who had direct online links with the suppliers to replenish stocks when needed.

Identify and explain the dimensions of business environment discussed in the above case.

Answer:

The various dimensions of business environment being referred to in the above case are as follows:

1. **Political Environment:** Political Environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
2. **Technological Environment:** Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

Question 6:

After completing her MBA, Beni took up a job with a multinational company named Fortio. The company paid good salaries and perks to its employees. The wages were within the paying capacity of the company that provided the employees with a reasonable standard of living. The company also had a good work-culture and the behaviour of superiors was very good towards their subordinates. Beni was very happy in this organisation but due to long working hours, she did not have time to cook her meals. She had to depend upon outside food which was deteriorating her health.

She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office-goers at a reasonable price. At the end of the day, she also distributed the leftover food to the nearby night-shelters.

1. State the dimension of business environment being discussed above.
2. State the principle of management being followed by Fortio.
3. Identify any two values being communicated by the company to society in above case.

Answer:

1. The dimension of business environment being discussed above is Social.
Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
2. The principle of management being followed by Fortio is 'Remuneration of employees'.
Remuneration of employees: The overall pay and compensation should be fair to both employees and the organization. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company i.e. remuneration should be just and equitable.
3. The values being communicated by the company to the society are:
 - Justice
 - Ethical Behaviour

Question 7:

After completing his MBA from the USA, Mr. Ajay came to India to start a new business under the banner Ecom Creations Ltd. He launched a new product in e-learning for senior secondary school students in the commerce stream which already had an established market in the UK and the USA but not in India. His business started flourishing in India. As a result, more Indian companies entered into the market with other subjects also.

Identify and quote the lines from the above paragraph which highlight the significance of understanding business environment.

Answer:

1. The understanding of business environment helps in assisting in planning and policy formulation as its understanding and analysis can be the basis for deciding the future course of action or decision making.

It enables the firm to identify opportunities and getting the first mover advantage instead of losing them to its competitors.

” After completing his MBA from USA, Mr. Ajay came to India .to start a new business under the banner Ecom Creations Ltd. He launched a new product in e-learning for senior secondary school students in the commerce stream which already had an established market in UK and the USA but not in India.”

2. It helps in improving performance of an enterprise through continuous monitoring of the environment and adopting suitable business practices which help to improve both their present and future performance.
“His business started flourishing in India.”
3. It helps the firm to identify threats and early warning signals that is likely to hinder a firm’s performance and take timely actions.
“As a result, more Indian companies entered into the market with other subjects.”

Question 8:

As per the directions issued by the Supreme Court, the government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions as:

1. Its consumption is injurious to health.
2. People are becoming more conscious about health and fitness. This indicates the government’s attitude towards this business.
Identify the business environment under three different dimensions by quoting from above paragraph.

Answer:

The various dimensions of business environment being referred to the in the above case are as follows:

1. Legal Environment: “As per the directions issued by the Supreme Court.’
2. Political Environment: “The government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions.”
3. Social Environment: “Its consumption is injurious to health and people are becoming more conscious about health and fitness.”

Question 9:

The court passed an order to ban polythene bags as:

1. These bags create many environmental problems which affect the life of people.
2. Society at large is more concerned about the quality of life.
The government decided to give a subsidy to the jute industry in order to promote this business. As a result,—
 - Innovative techniques are being developed to manufacture jute bags at low rates.
 - Incomes are rising and people can afford to buy these bags.Identify the different dimensions of business environment by quoting lines from the above particulars.

Answer:

The various dimensions of business environment being referred to in the above case are as follows:

1. Legal Environment: "The court passed an order to ban polythene bags."
2. Social Environment: "The bags create many environmental problems which affect the life of people and society at large is more concerned about the,,quality of life."
3. Political Environment: "The government decided to give a subsidy to the jute industry in order to promote this business."
4. Technological environment: "Innovative techniques are being developed to manufacture jute bags at low rate."
5. Economic Environment: "Incomes are rising and people can afford to buy these bags."

Question 10:

The court passed an order that all schools must have water purifiers for the school children as:

1. Society in general is more concerned about the quality of life. .
2. Innovative techniques are being developed to manufacture water purifiers at competitive rates.
3. Incomes are rising and children are drinking purified water at their homes as well.
4. The Government is also showing a positive attitude towards the business of water purification.

Identify the different dimensions of business environment by quoting from the above details.

Answer:

The various dimensions of business environment being referred to the in the above case are as follows:

1. Legal Environment: "The court passed an order that all schools must have water purifiers for the school children."
2. Social Environment: "Society in general is more concerned about the quality of life."
3. Political Environment: "The government is also showing a positive attitude towards the business of water purifiers."
4. Technological environment: "Innovative techniques are being developed to manufacture water purifiers at competitive rate."
5. Economic Environment: "Incomes are rising and children are drinking purified water at their homes as well."

Question 11:

Just after the declaration of the results of the Lok Sabha Elections, 2009, the Bombay Stock Exchange's price index (Sensex) rose by 2100 points in a day. Identify the environmental factor which led to this rise.

Answer:

Political environment has led to the rise in the sensex.

Question 12:

The Government of India is seriously thinking of allowing the oil-marketing public sector undertaking to fix their own prices for petrol and diesel. Which economic reform is the reason for this change in the government's policy?

Answer:

Privatisation as a reform is the reason for this change in the government policy.

ADDITIONAL QUESTIONS**Question 1:**

On 8 November 2016, the Government of India announced the demonetisation making all Rs.500 and Rs. 1,000 banknotes of the Mahatma Gandhi Series invalid past midnight. The government claimed that the action would curtail the use of illicit and counterfeit cash to fund illegal activity and terrorism. The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the day after the announcement. The decision was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament and triggering organised protests against the government in several places across India. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash. After demonetisation the demand for point of sales (POS) or card swipe machines has increased. E-payment options like PayTM has also seen a rise. In context of the above case:

1. Identify and explain the various dimensions of business environment which relate to the above mentioned case.
2. List any through two values that the government seeks to promote through demonetisation.

Answer:

1. The various dimensions of business environment which relate to the above mentioned case are outlined below:
 - Political Environment: Political Environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
 - Technological environment: Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
 - Legal environment: Legal Environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— centre, state or local .
 - Social environment: Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
 - Economic Environment: Economic Environment comprises of factors that can affect management practices in a business enterprise includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.

2. The two values that the government seeks to promote through demonitisation are:
 - Transparency in dealings
 - Promote well being of people

Question 2:

Post demonitisation in a further push to cashless economy, the Central cabinet has recently approved the ordinance for paying wages via electronic means. Accordingly, the government approved to Amend Section 6 of the Payment Of Wages Act 1936, to allow employers of certain industries to make payment through the electronic mode and cheques . The new ordinance will be applicable to the public sector. Identify the various dimensions of business environment which relate to the above mentioned case.

Answer:

The various dimensions of business environment which relate to the above mentioned case stated below:

1. Political environment
2. Legal environment
3. Technology environment

Question 3:

Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India. It focuses on job creation and skill enhancement and is in twenty five sectors of the economy. Under the initiative, brochures on these sectors and a web portal were released. The initiative aims at high quality standards and minimising the impact on the environment. It also seeks to attract foreign capital investment in India.

In context of the above case:

1. Identify the various dimensions of business environment being referred to by quoting lines from the paragraph.
2. List any two values which the Government of India wants to convey through this initiative.

Answer:

1. The various dimensions of business environment being referred to in the above case are as follows:
 - Political Environment: “Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India.”
 - Technological Environment: “Under the initiative, brochures on the twenty five sectors and a web portal were released.”
 - Economic Environment: “It also seeks to attract foreign capital investment in India.”
2. The two values which the Government of India wants to convey through this initiative are:
 - High quality standards
 - Concern for environment

Question 4:

India's retail sector has been undergoing structural changes for the last two decades. On one hand, the 'mall culture' has gradually become a way of life, especially in the metros and mini-metros. On the other hand, there is accelerated growth in e-business as customers also prefer to buy products and services via the Internet, telephone and television. However, operating in either of the segments is marked by the presence of strong competitors. Identify the components of specific forces and general forces being discussed in the above paragraph.

Answer:

The components of specific forces discussed in the above paragraph are the customers and competitors.

The components of general forces discussed in the above paragraph is the social and technological conditions.

Question 5:

Kapil Sharma is working as the Country Head of a company which owns a chain of malls under the name of 'Virtuoso' in the various parts of India. Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer's convenience. Hence, malls will have to provide much more than shopping to be able to attract customers. So, he recommends that 'Virtuoso' malls should to be restructured into recreation centres, offering more spaces to socialise, host events and concerts, and provide ample Food and Beverages options.

Consequently the share of entertainment segment and Food and Beverages segment in the overall mall space is increased by 20%. As a result, the company gains enormously by getting the first mover advantage.

In context of the above case :

1. Define the term 'Business Environment'.
2. Explain the terms 'Threats' and 'Opportunities' by quoting lines from the paragraph.

Answer:

1. The term 'Business Environment' means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.
2. The term 'Threats' refers to the external environment, trends and changes that will hinder a firm's performance.

"Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer's convenience. Hence, malls will have to provide much more than shopping to be able to attract customers."

The term 'opportunities' refers to the positive external trends or changes that will help a firm to improve its performance.

"As a result, the company gains enormously by getting the first mover advantage."

Question 6:

“Zero Defect Zero Effect” (ZED) is a slogan coined by the Prime Minister of India, Narendra Modi with reference to the Make in India initiative launched by the government. The slogan reflects the efficiency of production processes, i.e. the products have no defects and the process through which the product is made has zero adverse environmental and ecological effects. The ZED model aims to make India the manufacturing hub of the world and prevent the products developed in India from being rejected by the global market. Moreover, before the initiative was launched, the limits of foreign direct investment in various sectors had been relaxed. The application for licences was made available online and the validity of licences was increased to three years. Various other norms and procedures were also relaxed by the government. In the light of the above paragraph, identify and explain the major component of New Economic Policy of 1991 that are being referred to by quoting lines from the paragraph.

Answer:

The major components of New Economic Policy of 1991 that are being referred to are as follows:

1. Liberalisation: These economic reforms signalled the end of the licence-permit-quota raj and were aimed at liberalising the Indian business and industry from all unnecessary controls and restrictions.
“Moreover, before the initiative was launched, the limits of foreign direct investment in various sectors had been relaxed. The application for licences was made available online and the validity of licences was increased to three years. Various other norms and procedures were also relaxed by the government.”
2. Globalisation: Globalisation means the integration of the various economies of the world leading towards the emergence of a cohesive global economy.
“The ZED model aims to make India the manufacturing hub of the world and prevent the products developed in India from being rejected by the global market.”

Question 7:

It is interesting to know that the menu items of the multinational food chains are customised to suit the general palates of the local people in the region. When McDonald’s started its business in India in the year 1996, the company went through a complete localisation strategy. McDonald’s changed its product menu to accommodate the vegetable burger given the large vegetarian population. It also altered its store design and even reduced the product price by close to fifteen per cent. Also, the “McAloo Tikki burger” is not available anywhere but in the Indian outlets of McDonalds.

Identify the relevant feature of business environment being discussed above.

Answer:

Relativity is the relevant feature of business environment which is being discussed above.

Question 8:

Eco-friendly products are gaining power as the consumers’ awareness about environmental issues has increased over the years and they are conscious about choosing products that do not have adverse effects on the environment. They are now more conscious about the carbon emission and climate change effects, and want themselves to be ‘seen’ as a green advocate among their peers. In such a scenario, it has become a challenge for the companies as they have

to not only meet the needs of the consumers but also ensure that their products are safe and environment friendly. As a result, there is growing need for better and advanced technologies to works as a catalyst in this regard.

1. Identify the relevant feature of business environment being discussed above.
2. Describe briefly any three points which highlight the importance of business environment and its understanding by managers.

Answer:

1. Inter-relatedness is the relevant feature of business environment which is being discussed above.
2. The three points which highlight the importance of business environment and its understanding by managers are described below:
 - It enables the firm to identify opportunities and getting the first mover advantage: The dynamic business environment provides numerous opportunities for a business to evolve as per the changing needs. Therefore, early identification of the forthcoming opportunities helps an enterprise to be the first to exploit them instead of losing them to the competitors.
 - It helps the firm to identify threats and early warning signals: Sometimes the changes in the external environment may pose as a threat and hinder a firm's performance. An awareness about the business environment helps the managers to identify such threats on time and take necessary decisions and action.
 - It helps in tapping useful resources: As the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires.

Question 9:

In the year 2016, the State Government of Kerala had made it mandatory for anganwadis hostels and canteens in educational institutions to secure the Food Safety and Standards Authority of India (FSSAI) licence to ensure food safety. As the educational institutions also get categorised as food business operators in the event of the annual turnover of the hostels, they run exceeding Rs. 12 lakh per annum.

In context of the above case:

1. Identify and explain the various dimensions of business environment being referred to here.
2. List any two values which the State Government of Kerala wants to convey through this initiative.

Answer:

1. The various dimensions of business environment being referred to in the above case are as follows:
 - Political Environment: Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

- Legal Environment: Legal environment includes various legislations passed by the government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government -Center, State or Local .
2. The two values which the State Government of Kerala wants to convey through this initiative are:
 - High quality standards
 - Good health

Question 10:

Postage stamps have been unveiled to commemorate 140 years of existence of the country's first stock exchange the Bombay Stock Exchange (BSE). The setting up of BSE is considered to be the greatest revolution that took place in the financial markets in India as it acts as a key driver for economic growth of a country. This is due to the fact that there exists a strong correlation between economic growth and capital accumulation.

In the context of the above case:

1. Identify the dimension of business environment of India being referred here.
2. State any three factors which broadly affect the dimension of business environment of India as identified in part (a) of the question.

Answer:

1. Economic environment is the dimension of business environment of India being referred here.
2. The three factors which broadly affect the economic environment of India are stated below:
 - Stage of economic development of the country.
 - The economic structure in the form of mixed economy which recognises the role of both public and private sectors.
 - Economic planning, including five year plans, annual budgets, and so on.

Question 11:

The organic food market in India is growing at 25-30 per cent which reflects a clear shift in consumer tastes and preferences. The current growth in the organic food market is driven by multiplicity of factors like rising health consciousness, changing lifestyles, increase in disposable income and growing availability of organic food products in shopping malls, retail outlets and online.

In context of the above case:

1. Identify and explain the features of business environment being referred to here.
2. By quoting phrases from the paragraph identify the various components of general forces which have led to a growth in the organic food market.

Answer:

1. The features of business environment being referred to in the above case are as follows:

- Dynamic nature: It is dynamic in nature and keeps on changing due to technological upgradations, shifts in consumer preferences or increase in competition in the market.
 - Inter-relatedness: All the elements of business environment are closely interrelated. Therefore, any change in one element may necessitate corresponding changes in the other elements as well.
2. The various components of general forces which have led to a growth in the organic food market are as follows:
- Social: “rising health consciousness, changing lifestyles”
 - Economic: “increase in disposable income”
 - Technological: “growing availability of organic food products in shopping malls, retail outlets and online.”

Question 12:

Anurag, aspires to work with a socially and environmentally committed company as he does not want to work just for monetary benefits but also the brand value of the company he works for in the society matters a lot to him. Therefore, he has joined Cerebra Integrated Technologies a Bengaluru-based Infotech company. The company has built India’s largest e-waste recycling plant. The company strives to be one of the leading players in this business which has huge potential not only in terms of generating huge revenues and profits but also wants to contribute to the environment issues that have become crucial worldwide. The company sees big business in the mountains of e-waste in Bengaluru which produces 200,000 tonnes of e-waste a year. The company plans to make its millions by extracting metals such as gold and platinum from the e-waste piling up in the city. As a mobile phone, for example, is made up of a combination of rare earth and precious metals: it contains 250 mg of silver, 24 mg of gold and nine mg of palladium while a laptop has 1,000 mg of silver, 220 mg of gold and 500 grams of copper.

To start the business, the company has obtained a licence from KSPCB (Karnataka State Pollution Control Board) .

In context of the above case:

1. Identify the various dimensions of business environment being referred to by quoting lines from the paragraph.
2. List any two values which the company wants to convey to the society.

Answer:

1. The various dimensions of business environment being referred to in the above case are as follows:
 - Technological Environment: Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
 - administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— center, state or local.
 - Social Environment: Social environment includes the social forces like customs and traditions, values, social trends, society’s expectations from business, etc.

2. The two values which the Cerebra Integrated Technologies wants to convey through this initiative are:
 - Sustainable development
 - Concern for environment.

Question 13:

The government wants to raise Rs.56,500 crore from the sale of stakes in state-owned enterprises National Thermal Power Corporation (NTPC) in the financial year 2016-17.

Identify and explain the related concept.

Answer:

Disinvestment: Disinvestment refers to transfer in the public sector enterprises to the private sector through dilution of stake of the Government in the public enterprise.

Question 14:

Bharat is running an ice cream parlour in a local market. Keeping in mind the changing perceptions about health among the people, one of his employee Abhiraj suggests to him that they should introduce a range a flavoured yogurt. Bharat accepts his suggestion as a result both the image and the profitability of his business increases.

In the context of the above case:

1. Identify the feature of management which is being highlighted.
2. State the related dimension of the business environment.
3. Name and explain the related principle of general management.

Answer:

1. The feature of management which is being highlighted is Dynamic.
2. The related dimension of the business environment is Social.
3. The related principle of general management is **Initiative**.

Initiative means taking the first step with self-motivation. The workers should be encouraged to develop and carry out their plans for improvement. Suggestion system should be adopted in the organization.

Question 15:

As a result of the decision by Britain to exit to European Union the new trade agreements will come into force from the EU as it accounts for 35-40% of auto component exports from India. Tata Motors owned Britain's largest carmaker Jaguar Land Rover (JLR) has been in Britain for three decades and makes 4,75,000 cars a year in the country of which most of them are exported inside the European Union and beyond. JLR estimates that their annual profit could be cut by one billion pounds (\$1.47 billion) by the year 2020.

In the context of the above case:

1. Explain why are all the elements of business environment considered to be closely interrelated?
2. Name any two related dimensions of the business environment.

Answer:

1. All the elements of business environment are considered to be closely interrelated as any change in one of them may necessitate a series of changes in other dimensions as well.
2. The related dimensions of the business environment are Political and Legal.

Question 16::

After completing his education, Arun joins his father in their family business of manufacturing cookware. As a businessman, his father is rigid in his approach and has fixed ideas about various issues. He tends to maintain a distance from the factory workers. However, Arun is more receptive to the needs of the workers and doesn't seem to believe in any class- differences. He believes that the prosperity of their business greatly depends upon the prosperity of their workers and vice versa. At the same time, he has a good understanding of the business environment. Therefore, he introduces a new range of green pans that provide a healthy cooking surface, as they are manufactured with all ceramic or silicon coating and are considered safer than the traditional petroleum based nonstick surfaces which may contain toxic substances. Although, the new cookware range is highly priced/, he expects a ready market for it as both the purchasing power of people and their preference for better quality products has increased over the years. In the context of the above case:

1. Identify the nature of management which is being reflected in the different styles of management in practice adopted by Arun and his father.
2. Name and explain the related principle of scientific management.
3. State the related dimensions of business environment.

Answer:

1. The different styles of management in practice adopted by Arun and his father reflect that management is an art.
2. 'Harmony, Not Discord' is the related principle of scientific management. Taylor emphasised that there should be complete harmony between the management and workers instead of a kind of class-conflict, the managers versus workers. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa. He advocated paternalistic style of management should be in practice.
3. The related dimensions of the business environment are :
 - Economic Environment: Economic environment comprises of factors that can affect management practices in a business enterprise includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.
 - Social Environment: Social environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
 - Technological Environment: Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

Question 17:

'Gallant' is a well known FMCG (Fast Moving Consumer Goods) company in India. However, for the past few years its profitability is diminishing due to the presence of a new company 'Prakritik'. 'Prakritik' has gradually acquired a reasonable share in a wide variety segments like soaps, shampoos, detergents, dish wash and oral care. One of the key reason is that 'Prakritik' has positioned itself as a natural/Ayurvedic brand and this approach has worked well with the Indian consumer. In order to compete with this threat 'Gallant' has acquired a premium Ayurvedic brand 'Madhumita' from another group. Moreover its likely to increase its advertising budget to counter the threat from 'Prakritik'.

In the context of the above case:

1. Identify the related component of the business environment which has contributed effectively towards the success of Prakritik.
2. Also, state the two ways in which 'Gallant' has responded to the changes in its business environment.

Answer:

1. Social aspect is the related component of the business environment which has contributed effectively towards the success of Prakritik.
2. The two ways in which 'Gallant' has responded to the changes in its business environment are as follows:
 - Acquisition
 - Brand building