

# CLASS 11

## BUSINESS STUDIES ANSWER KEY

### SHORT ANSWER

**Q1** Define the term business environment.

**Ans:** Definition of Business Environment is sum or collection of all internal and external factors such as employees, customers needs and expectations, supply and demand, management, clients, suppliers, owners, activities by government, innovation in technology, social trends, market trends, economic changes, etc. These factors affect the function of the company and how a company works directly or indirectly.

**Q2** Why business environment is called dynamic?

**Ans:** Business environment is dynamic in nature because it keeps on changing (uncertainty). For example, change in government policies, change in taste and choice of the consumer, change in technology, etc. Such changes could be triggered by internal or external factors and it can affect the growth, even the survival of business. That is why business environment is called dynamic in nature.

**Q3** what is SWOT analysis?

SWOT analysis (strengths, weaknesses, opportunities and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a project, product, place or person.

### Long Answer

**Q1** Explain the essential features of business environment.

**Ans :** Features of business environment -

**1. Dynamic:** Business environment is highly flexible and keep changing. It is not static or rigid that is why it is essential to monitor and scan the business environment continuously.

**2. Complex:** It is very difficult to understand the impact of Business environment on the companies. Although it is easy to scan the environment but it is very difficult to know how these changes will influence Business decisions. Some-time change may be minor but it might have large impact. For example, a change in government policy to increase the tax rate by 5% may affect the income of company by large amount.

**3. Uncertainty:** It is very difficult to predict the changes of Business Environment. As environment is changing very fast for example in IT, fashion industry frequent and fast changes are taking place.

**4. Inter-relation:**All the forces and factors of Business Environment are inter-related to each other. For example with inclination of youth towards western culture, the demand for fast food is increasing.

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**5. Specific and general forces:** Business environment includes specific forces such as investors, customers, competitors and suppliers. Non-human or general forces are Social, Legal, Technological, Political, etc. which affect the Business indirectly.

**6. Relative: Business** environment is relative concept as it differs from country to country and from one region to another region within the same country. For example – Mumbai and Kolkata environment is differ from each other

Q2 Discuss the importance of business environment

Ans : Importance –

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

### **2. First Mover Advantage**

The environment provides numerous opportunities and it is necessary to identify the opportunities to improve the performance of a business.

Early identification gives an opportunity to an enterprise be the first to identify opportunity instead of losing them to competitors.

### **3. Early Warning Signals**

The business environment helps in understanding the threats which are likely to happen in the future.

Environmental awareness can help managers identify various threats on time and serve as an early warning signal.

### **4. Business strategies**

Business enterprise always apply proper strategies to get success that decides the success of business For example- ITC realised that there is huge scope for growth in the travel and tourism industries in India and by this people are getting employment which is good for expansion of business

### **5. Public image:**

A company who has good reputation can earn more money by contributing to the betterment of society and by helping social causes such as employment of disabled pollution control etc.

### **6. Competitive advantage:**

Business enterprises try to gain and sustain an edge over each other. As competition is increasing gaining a sustainable competitive advantage has become necessary

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**Q3** Explain the importance of SWOT analysis

**Ans :** Importance -

1. It is a source of information for strategic planning.
2. Builds organization's strengths.
3. Reverse its weaknesses.
4. Maximize its response to opportunities.
5. Overcome organization's threats.
6. It helps in identifying core competencies of the firm.
7. It helps in setting of objectives for strategic planning.
8. It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.