

Course Name: Business Fundamentals for Entrepreneurs – Part 1 – Internal Operations

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Week – 01

Lecture – 01

Week 1: Module 1 Part 2

Okay, now let's think about the environment that business is operating in. So, if you had a business, you would not work in isolation. You would be impacted by the environment and many different factors in the environment. Economic, social, legal, technical, political. And you, whether you are an employee of the company or an owner of the company, have to be aware of these environmental factors so you can leverage them and make sure that you do not violate any of the environmental requirement. Let me give you some examples.

Let us start with the social environment. The first environment socially are the demographics that you have to be aware of in your business. Community. For example, if you are producing a Bollywood movie in Hindi, the community which you will be addressing will be the Hindi speaking community.

But if you are writing a Bengali novel or producing a Bengali movie, you have to be aware of the Bengali community. Age. If you are making toys for children, you have to be aware of the children's environment. But let us say if you are making a walking stick for an elderly person, you have to be aware of the elderly people's environment. Gender. If you have a fashion business, the male fashion is very different from the ladies' fashion. And you have to be aware of the gender differences in fashion or perfumes or movies, or accessories. Education. If you are in the business of software and you are making a high tech software, artificial intelligence, machine learning, etcetera, you are targeting the highly educated engineering segment. And that is a social environment.

But if you are creating a mass social media platform, your social environment is actually everybody irrespective of the education levels. If you are in the business of agriculture, you have to be aware of the farmer's environment. But if you are in the office software business like Microsoft, you have to be aware of the office environment. Within the office, if you are making a finance software, you have to know about the financial employees' environment. And if you are making a sales software, you have to be aware of the sales environment.

Rural versus urban. If you are an automotive maker and you are making tractors, you have to know the rural environment. But if you are making high end luxury cars, you have to know about the urban rich people's environment. That's demographics.

Income levels. If you are making a high-end car for the rich, you are dealing with one social environment. If you are making a cheaper car or a motorcycle, you have to be aware of the mass social environment. Traditional culture. If you are in the food business, for example, there are cultural nuances about eating beef or pork or drinking. And you have to respect those traditions and cultures and be aware of those environment.

Consumption pattern. Some communities, some geographies drink tea, some drink coffee. Some eat rice; some eat wheat. And you have to understand and be aware of the consumption environment of who you are targeting. Moving on, let's now look at the economic environment that you should be aware of in your business.

The economic environment has got two parts. The first is the macroeconomics. The second is the microeconomics. The macroeconomic factors relate to the country, industry and all companies. The microeconomic environment relates to your business.

So, let's look at the macroeconomic factors. In your business, you need to be aware of the country that you are operating in. If you are operating in USA, it's a large country with a very large economy and growing reasonably. If you are working in Singapore, it's a smaller country with a smaller economy. But if you are looking at India, it's still a large economy but growing fast.

And you have to be aware of those nuances. Next you have to be aware of the per capita income which is the income per person. If you are a large economy but small population, the per capita or the per head income can be very high. If you are a large economy with a very large population such as India, the per head income will be much lower. Then you have to be aware of inflation and interest rates.

What's inflation? Inflation is the price rise. So the prices are rising. Consumers and customers will buy less. Your business will slow down. Interest rates are the interest that you pay for a loan that you may take from a bank to buy a house or a car.

And if the interest rates go up, you have to pay more interest and therefore the demand for your business or your products and services may come down. You also have to be aware of the cost of things like oil because all businesses use electricity which is generated by oil or coal. If the oil prices go up, electricity prices go up, your business costs go up. Same with the labor rates or the wages that you have to pay in a country. In an advanced market, you have to pay higher.

In a not fully developed market, the wages may be lower, and you have to be aware of that. Microeconomic environment relates to your business. You have to be aware of what the customer environment is. Are the customers making more money so that they buy more of

your product? You have to be aware of the supplier environment. The companies who are giving you your raw material and your components.

If they increase the price, your profits go down. You have to be aware of your competitors. If a new competitor comes in, your sales will drop. Then you have to be aware of the banking and the investment environment. Banks give you a loan to run your business.

If the banks are doing well, it will be easy for you to get a loan for your business and vice versa. So that is about the economic environment. You have to be aware of the legal framework under which your business is running. Starting with government policies, which is the government plan to grow the economy or to stimulate technology development or social plans for the long term, five years, ten years. A good example is the start-up policy that Indian government announced in January of 2016.

Seven years later today, in 2023, from almost no start-ups in 2016, there are 100,000 start-ups recognized by the DPIIT, which is basically a regulatory body. So that is the impact a policy can have, and you have to be aware of the government policies. You have to be aware of a lot of laws that impact your business. Company laws govern how your business can operate, things you can do, things you cannot do.

Tax laws. If you are an individual, you have to pay income tax on your income. If you are a company or a business, you still have to give taxes to the government. GST is a tax, goods, and service tax that you pay on your revenues. Income tax is a tax that you pay on your income. And you have to be aware of what those tax laws are.

Civil laws. You will employ employees and there are laws which govern the employment by your business of your employees. Land and environment. There are laws which protect, let's say the forest. So, you cannot set up a business in a protected forest and that comes under a land law to protect the environment and make sure that no business pollutes the environment, the water, or the air.

If you are in an export and import business, you have to be aware of the export and import laws. You have to be aware of laws which protect your customers. For example, consumer protection laws. This is aimed at making sure that no business, including your business, works in a way that damages the interest of the consumer, which means selling products which are not so good. Charging prices which are not so high.

Every monopoly act essentially makes sure that no one company becomes so big and controls so much of the market that they can set unrealistically high prices. So then the company benefits but the customers do not benefit. And you have to be aware of that law. Contract law. Make sure that if you enter into a contract in your business with other businesses, customers, suppliers, employees, you fulfill those contracts and if there is a violation of the contract by either your business or your employees, suppliers, customers or other agencies, how do you resolve that conflict? And there are many other laws and legal environment you should be conscious of.

The political environment is also something you should be aware of. The form of government. If you work in an autocratic government, a dictatorial government, the laws may not be transparent. What the dictator or the autocrat says, your business has to comply with. But if you are in a free market democracy like the US or India or many other such democracies around the world, you will have more transparent laws and a more transparent political environment.

So, you will know how to function in your business. Government ideology. A government may be socialist, which means it may believe that businesses must be run by the government simply because the country is not yet developed and there are not enough businessmen to run businesses. But more developed countries may say we are capitalists.

Let private sector run the businesses. Then that becomes an ideology and you have to be aware of which geography or country you are operating in and therefore how your business should be set up. Political stability is very important because if the government keeps changing, chances are laws will also change and then your business gets disrupted. Geopolitics and foreign policy is very important because that governs your export of goods from the country to other countries and import of goods from other countries into the country you are operating in. And depending on foreign policy and geopolitics, your business, because you are in a certain country can access goods such as crude oil or seeds, sunflower seeds or chemicals at favorable terms because you have a friendly country that you are importing from. And these are governed by geopolitics and foreign policy of that country you work in.

Foreign international treaties can be a trade block where countries give each other favorable access, and if you are operating in one country, if your business is in one country and your country is in a treaty block like NAFTA, North American Federation, your business will be able to take advantage of those trade treaties and that's about the political environment that you should be aware of. Very importantly, you should be aware of the technology environment. So if you had (been) or you are working in let's say agricultural business which was set up many years back, you have to be aware of the technology in the agriculture sector. The earliest thousands of years back agricultural technology would be the plough with which you plough the land. Then it could be seeds, fertilizers, pesticides, and other technologies, irrigation technologies that get into the agricultural domain and your business has to be aware of.

Mining and construction. You have to be aware of the technology involved in mining. For example if you want to build a lithium business, extract lithium, purify lithium for electric vehicles, you have to be aware of the mining technology so you can use it in your lithium business. Same with construction, if you are building bridges or roads or airports or shipping ports, you have to be aware of the construction technology. Power and energy. All businesses need power.

You have to be aware of the power technology. Clean power, clean energy, hydrogen power, hydrogen energy or fossil fuel, coal, and oil. Manufacturing technology of course goes to

that saying you have to know what is the manufacturing technology in your business. If you are in a chemical, pharma and food business you have to know about chemical processing. If you are in the medical business, pharma business you have to know how to build drugs, generic or patented or vaccines. If you are in the food business, beverage business you have to understand the technology of mass-producing food or beverage.

Automotive and transportation. If you are making cars or ships or planes or motorcycles or even bicycles, sports bicycles, you have to be aware of the new technology in automotive, about the engine, about the transmission, about the electricals, about the electronics, about the metals, the steel body, you have to be aware of all of this technology. If you are in aviation and space you have to be aware of the latest best in spacecraft or planes, building aircrafts. Coming to digital, if you are in the internet business obviously you have to learn and be aware of the entire internet development which changes very fast. If you are in social media, even if you are not running the platform but if you are leveraging a platform to offer a social media service you have to know the latest best emerging technology in the social media space. If you are building apps for smartphones, accessories for smartphones or components for smartphones you have to be aware of the smartphone and app technology, applications technology.

If you are building digital platforms such as the ones built by Swiggy or, Zomato or Uber or Amazon or Ola you have to be aware of the digital platforms technology as it evolves. If you are an entrepreneur, you have to keep track of emerging technology because it is wanting to build a new business based on new technology. Most of you would be aware of the progress in artificial intelligence and machine learning. For example, ChatGPT which is an AI enabled chatbot and you have to be aware of the evolution of large language models such as ChatGPT. If you are building blockchain applications or cryptocurrency applications you have to be aware of the latest algorithms or programming skills, a programming environment to build a blockchain or a cryptocurrency product or service.

The recent war between Ukraine and Russia has shown the power of artificial intelligence or unmanned drones and unmanned military hardware and that will lead to reinvention of the entire defence industry and defence planning. Apart from that, even in terms of industrial use or civilian use, unmanned robotics automated technology is very important for you to keep track of that. If you are in the education space or training space it is important that you keep track of technology such as augmented reality or virtual reality. If you are in a more advanced space you have to be aware of quantum computing and cloud and cyber security. And above all there is a quest for people to live longer and have better quality of life and that offers a great opportunity to entrepreneurs, to build businesses around health and wellbeing but you have to be aware of the health and wellbeing technology environment.

That is about the environment. Coming to your business, how do you build value for your customers which means that customers buy your product or your service at a price where you make profit. I will repeat how do you structure and create value in your business so you can offer a product and a service to a customer and the customer pays you a price with

which you can make profits. This will require you to very carefully design a series of activities which you keep repeating every day so that your business is running. And Mr. Michael Porter many years back defined something called the value chain of business.

So, if you look at the blocks below, they are what are called the primary activities to make a product or offer a service to the customer. And the components in simple terms are around inbound logistics which means bringing in to your factory components and raw material that goes into a product. The next step, the next primary activity, is mass manufacturing operations. The next activity is around sending out the finished goods which is called outbound logistics. The next activity is around marketing and sales because the customers have to know that a product or service exists so that they can buy a product or service.

And then the next activity is around servicing the product or the service that you are offering so the customers stay happy. If you do all of that you can sell at a price where you can make a margin in your business which means you can earn a profit. But you also need to do some support activities. You have to source products, which is called procurement. You have to have a technology framework to support your business.

You have to have systems and processes to manage your people and your employees. And you have to have an infrastructure such as offices and factories and servers and PCs and computers and telephone networks. And if you put all of this together that is the value chain of business. For you to get a feel about what are the activities within each of these blocks, let me show you a bit of more detailed activity chart. You can read it for yourself and you can look it up when you relook at the video.

But there are examples under each of these blocks. For inbound logistics for example, the first block on the left bottom, it includes buying the raw material but also making sure that you don't buy too much or too little and that you are buying it in the right quality. So do a series of activities which are listed in this chart for inbound logistics. And same with operations and outbound logistics and sales marketing and servicing. And on the top you will see some of the activities under the bigger blocks of activities that I had talked earlier. And if you do all of this well, then you can sell at a price where you can make a profit.

And my course is designed to cover each of those blocks of activities that are in the blocks of the business value chain. So today's topic is to give you a big picture of the value chain and slowly over the next few topics I will get into some of the building blocks in my course. How do you create a new business? If you are an entrepreneur, that is the biggest thing in your mind. Businesses exist, so how do I create a new business? And the simple rule is you have to be able to offer your customer something which is faster than what exists or, cheaper than what exists or better than what exists or it provides more emotional satisfaction.

So, what's faster? There are many cars in the market. If you want to launch a new car, you have to build probably a faster car. The many businesses which deliver goods and services and you want to build a new delivery business, you have to deliver faster. For example, the quick delivery businesses that have come up. Cheaper. There have been retail operations,

shops, stores, malls for a very long time. But if you can create an efficient business model and you can offer the same products to the customer cheaper, such as an e-commerce platform, electronic commerce platform, you can create a new business. You can create a better product or a better service. There are many phones, but you create a better phone. There are many computers, you create a better computer with more features.

Or you give more emotional satisfaction. There are many companies and businesses, but your business and your companies can tell the customer, I am doing social service also with the profits that we make. So, become a socially responsible business. And many customers like that. They want to deal with socially responsible customers, socially responsible businesses. And in all of these, what you have done is you have created a superior value chain.

And that's very important for an entrepreneur. Or for an intrapreneur. So if you're an employee in a business and the business is operating in a certain way and you have to create a new business or you have to speed up your existing business, you start thinking how do I create a superior value chain. Which means if you're an intrapreneur and you're in an existing business, how can I do things for the customer faster, cheaper, better or give more emotional satisfaction to my customer. And your business, if you're an employee, will start doing well. Let's now come to, if you're a business manager, what is business management? So business management is when you do various activities such as first of all, plan the business.

Make a plan for your business. You do certain things for the business. You make products, you sell products. You do financial accounting. You do some human resource activities. So you plan the business, you do certain things.

You can also be tracking the business so that you are analyzing the business. If you're a business manager, you also have to recruit employees, other employees. You have to train them, you have to supervise them, and you have to oversee them so that all the people work in a coordinated way to deliver the value chain so that you deliver a good value product or service to the customer and return of that, the customer gives you some money, and you make a profit. And that is a role as a business manager. There are also trends and challenges in business. The reality of business in 1900 or 1950, or 2000 is not the reality of business in 2023 or 2025.

And you have to be aware of what are the trends and challenges, positives and negatives. Automation and digital disruption. There is huge amount of automated activities, automated self-driven cars, cars which do not need drivers, factories which are run by robots, not really people, surgeries and operations in a hospital which are done by robots and not physically by the doctor. You have to be aware of this automation and make sure that in your business you are optimizing automation. Digital disruptions, artificial intelligence, machine learning, chat GPT, they are going to disrupt existing ways of doing the business and you have to be aware and be ready to use those disruptions.

Unfortunately, also because of the COVID pandemic for the last three years, there have been a lot of challenges globally, not just in your business probably, but across the world that had led to price rise and economies are slowing down and there is some shortage of food which is happening. Oil prices are going up. These are challenges that your business can face. Also, if you are in a country like India, there aren't enough jobs for all the wonderful and highly trained people and students that we are developing.

So, if you are an entrepreneur, job creation should be your biggest priority. If you are an employee in a business, your priority should be to grow the business so that you can employ more people, offer more products, more services and contribute to the well-being of your employees and also your customers. Climate change and, sustainability, and global warming is a big problem and everything that you can do in your business and as a business manager or as an entrepreneur to make sure that your business is climate friendly is something you should think about continuously. Supply chain disruption. Lot of the companies have created global supply chains. The consumer is sitting in US or Europe, but the manufacturing is happening in China and it's all connected by ships and planes and there may be a geopolitical or a physical disruption of that supply chain.

Then you have to be ready to make sure that in your business, your supply chain, which means the flow of your raw material for your business and the flow out of the finished goods of your business are not impacted. And this is how you have to think in your business. You also have to be very agile in the skills that you develop. Those of you who are students are learning certain curriculum, physics, chemistry, math, arts, science, commerce, engineering. Those of you who are already working, you have had some skills developed in your school and colleges and some in your job.

But the World Economic Forum, which is one of the most respected global think tanks, has predicted because of the changes in the environment and technology development, 50% (half) the current employees have to re-skill and up-skill themselves. And if you are a student, not an employee, you have to be aware of what the skills of the future are. And you can look it up in the internet, in the World Economic Forum, but I have listed the top ten, and you will see that these are not necessarily core skills in terms of engineering or arts or science, or commerce. These are about skills such as leadership and social influence.

This is about critical thinking and analysis in your business. This is about active learning and learning strategies because in your business or if you are starting a business, you have to continuously learn what are the trends and the technologies. So you have to be ready with the business skills of the future, not today. So with that, we have now come to the end of the course, module one, which is what is business. And I will now encourage you to do a three-minute reflection and take notes about what you reflect on in a couple of different points. First, think about the trends around you, whether you are a student, whether you are an employee, whether you are thinking about starting a business.

Think about what are the trends that you see around you in your daily life, in your locality, in your building, in your school, in your college, as you travel. Social trends, political trends,

economical trends, technological trends. And because I would like you to start thinking about business and become business minded and develop your business acumen every day, I would like you, as you see those trends, start thinking what will be the business impact. In the different business, you may not have a business, you may be a student, but think about the impact of these trends and businesses that you see every day around you. The food company you buy from, the store that you buy from, the car that you ride in, the phone that you use, the movie that you watch, the airline that you use.

Try to reflect on what will be the impact of those trends on the businesses that you use in your daily life, long term, short term, good or bad. And finally, very importantly, reflect that as you grow your career, the next five years, ten years, with these trends and those impact on business, what are the skills and career options you have to make, you have to choose. So I would encourage you to think and reflect for three minutes and take your notes.

And take your notes. You can see the turn of the clock below and take your time.

Thank you.

So, I will recap what we talked today. We talked about what is a business, types of business. The business environment you have to be aware of, how to create value in your business if you are an employee, and how to create business value or new business value if you want to start your own business. How do you manage your business? And then we talked about how you need to be aware of the trends in your business. So with that, I would like to thank you for your time and for your time.

Thank you for attending this course and wish you good luck till the next course.