

A study on the role and responsibilities of business economist in the modern business set up

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Abstract: *A business economist plays a very important role in guiding the modern business activity by acting as an economic adviser to a business enterprise. He helps the management of a firm in decision making and forward planning. In recent decades, there has been a shift from the 'traditional selling', which is basically a transaction based buyer-seller interaction, to a 'relationship based selling' in the modern business set up, which is based on embedding with customers and building long term win-win relationships, emerging due to advancements in technology and increased competition. Business economist adopts and advocates an approach to understand those customers who are strategically important to the business and building win-win long term relationships with them to achieve a common goal. In the dynamic business environment, where everything is changing so swiftly, keeping tab on the changing scenarios and designing strategies to cope up with those changes is very vital. Therefore, business economist performs numerous functions, which are broadly categorized into two parts, viz., Internal functions and external functions. Internal functions of a business economist include – Guiding the business activities in the field of investment, marketing, pricing, demand forecasting, estimating viability etc., A business economist should co-ordinate the activities of various departments of the firm and should work in harmony with other policy makers of the firm. A business economist plays a vital, positive and constructive role in the modern business set up. External function of the business economist involves identifying the problem, which business firm is facing and coming out with proper solution to it. This is considered to be the prime function of a business economist. Any organisation, irrespective of how big or small the business operations are, faces numerous problems. Be it a sudden change in the customers taste and preference, changes in fashion or technology or changes in competitor business strategies. All these will have either favourable or unfavourable effect on business. In this context, a business economist performs numerous functions. This paper analyses various functions of a business economist and his responsibilities in the modern business set up.*

Key words: *Business environment, Complex, Problems, Economist, Solutions, Sustenance.*

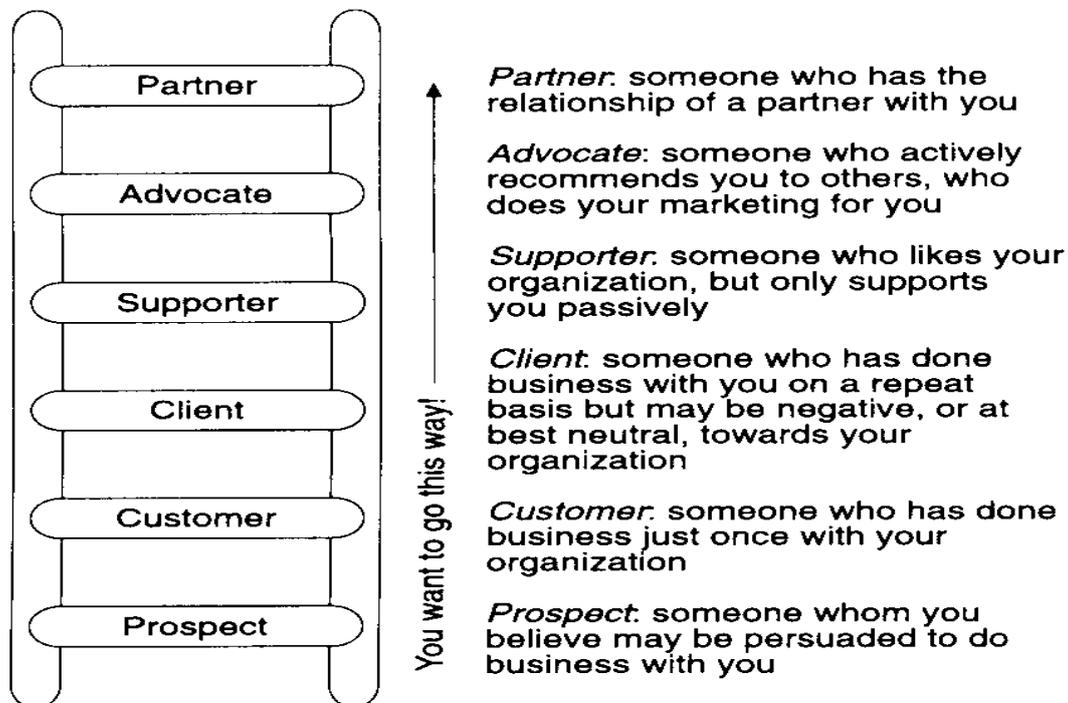
1. INTRODUCTION:

In this era of ultra-competitive world, it is very important to understand the customer, business, competition in the market and assigning a dedicated person or team for management, which gives extra comfort to customer with better pre and post sales support. As per the well defined marketing approach, 85% of the business comes from 20% of the customers. Therefore, KYC norms (Know your customer) is the first step in the process of building the relationship between various levels of organization and with the customer. Understanding the 'Share of Wallet' (SOW) is the next thing, which must be predominantly done, as it gives clear picture about the amount of the customer's total spending, that a business holds from the specific customer, towards various products and services it provides. Product wise understanding for SOW is not only critical role, for the business economist, but it also gives road map, by which a product SOW can be increased. The third function in the series is to understand the customer loyalty ladder, which involves the process of converting a client into partner of the business. The following picture depicts the process of this.

Apart from all this, following are the general external functions, which are performed by the business economist.

- To identify various business problems – their causes, consequences and suggest the remedial measures. The basic job of a business economist is to identify the problem that a business firm has, to find out the causes for these problems, analyze their effect on business and finally should suggest some measures to correct that problem. One thing we should note here is that no business economist will provide any readymade solution to a particular problem. Hence the primary function of a business economist is to study the nature of the problem that a business firm is facing and then to design a course of action to solve the problem and to improve the system.

- To provide a quantitative base for decision making and forward planning: A business economist has to provide a quantitative base for decision making and forward planning in a business. For this he must be aware of the factors and forces which influences the working of a business unit. Not only business economist helps in business planning, production planning, marketing planning how to maximize out put, how to minimize cost...etc., but also he must supply all the necessary information, data and statistics to the management to take right decision at right time. Hence a business economist will facilitate businessman to take right decision.



- To act as an economic adviser to the firm: The Business Economist advises the businessman on all economic and non-economic matters. For example, business economist advises about the volume of investment, sales promotion, financial positions, labour relations, quality improvement...etc., Hence a business economist enlightens the management on all these aspects. He advises the management on upcoming developments, changing trends and emerging challenges and their effects on business.
- To have complete information about the environmental factors: In order to make the business more profitable, the business economist must have complete information about the environment in which the business firm is operating. Hence to facilitate the study the environmental factors are classified into two categories. They are:
 - **Business Operation:** It refers to those factors and forces, which operates within the firm. Hence they can be effectively managed and controlled. Some of the internal controllable factors are:
 - ✎ Deciding about the production, sales and inventory schedules of a firm.
 - ✎ In determining pricing and profit policies.
 - ✎ Capital management, investment decision & security analysis.
 - ✎ Application of suitable technology.
 - ✎ Cost analysis, cost reduction and cost cutting measures.
 - ✎ Sales promotion and man power planning.
 - **Business Environment:** It refers to those factors and forces which are external but which affects the business. Hence these are uncontrollable factors. These external factors constitute the macro economic environment of a business firm. Some of the external factors affecting the business are:
 - General economic conditions like the growth of national income, international trade, effects of international trade on the domestic economy, the business cycles etc.
 - Forecasting the future demand for the product.
 - Changing credit policies of the financial institutions.
 - Different aspects of monetary policy, fiscal policy, industrial policy, exchange rate policy, agricultural policy, minimum hours policy, wage fixation policies of the government.
 - Competition and the market share of a business firm.
- To quickly respond to the changes: Another important job of a business economist is to keep tab on the changes happening in the market. For this market research has to be done. With his innovative mind he

should come out with several policies and programmes to suit the changing taste and preferences of the consumers in the market. Hence he must prepare the business firm to face all kinds of challenges in a competitive world.

2. REVIEW OF LITERATURE:

Business economist plays an important role in designing an approach or mechanism to build long term strategic relationship with important customers to maximize value addition and to achieve mutually beneficial goals. These customers render a significant volume of business and profit and hence require more attention effort time and resources to grow and retain. Many studies have been done by experts and Researchers and also given different opinion and view about it.

- **Mike Schultz, RAIN Group (2015):** Asserts that business economist is instrumental in designing a systematic approach to manage an organization's most important strategic customers to optimize mutual value and achieve mutually beneficial goals. The article mentions three core functions: penetration, expansion and protection of accounts from competition and also View the key accounts as separate from those that are large accounts in terms of revenue only. This article identifies the business economist as an asset as he establishes a smooth working relationship with customers and often requires investment to yield maximum returns.
- **Lynette Ryals, Harvard Business Review (2018):** Mentions that, business environment has witnessed drastic changes in the recent past from mere 'Selling' to establishing long term relationship with the customer, who is the core of business. The article identifies the role of business economist as an inevitable process and need of this ultracompetitive business environment and it is different from the traditional selling processes as it is not a transactional product selling concept. It is based on relationship between organisation and its strategically important customer.
- **Gronroos, Morgan & Hunt (2019):** identifies that relationship management due to increased competition, globalization and the realization of the importance of customer retention, the traditional transactional business perspective has shifted to a more relational approach towards customer. The focus has shifted from product/production and transactions towards a more relational approach, which has led to the concept of relationship marketing, also known as relationship management.
- **Abratt & Kellys (2019):** -According to them, in order to have a successful integration, organizations must understand and have knowledge of the customer business and their specific needs. They must further deliver value and commitments to mutual partnership and in order to grow trust. To be able to accomplish these factors, the need of a role and effectiveness is very important, as the detail knowledge of customer business is needed such as their budget, share of wallet in the organization, KYC including their profitability and business plans.
- **Pardo, Tzempelikos (2015), Zupancic, Tzempelikos & Gounaris (2013):** These researchers argue that involvement from top management is a necessity when operating. The entire organization which provides the business economist certain legitimacy, it also states that that top management involvement should not just be attitude-based but also action-based, suggesting that the attitude top management has.

2.1. Statement of the Problem:

The nature of business has changed drastically over the past two decades. What was considered to be the latest, most upgraded will become obsolete or outdated in a short while. Therefore, the business environment is extremely dynamic and this calls for swift action towards changing business scenarios. In this context, what the various emerging challenges, a business is facing? What are the role and responsibilities of a business economist? What will be the value addition of business economist to an organisation needs to be ascertained. In pursuit of the above challenges, the foresaid topic was chosen for the study.

2.2. Objectives of the study:

- To understand the role and importance of Business Economist in the modern business set up.
- To explore the responsibilities of Business Economist in an enterprise
- To identify the value addition of Business Economist for a business enterprise.
- To understand the importance of relationship marketing for the sustenance of business.

3. RESEARCH METHODOLOGY:

Type of Research: Literature review article.

Data Sources: It is a desk report and therefore, the secondary data needed for compilation of this research paper has been procured by referring to various articles published in national and international journals, books, websites etc.,

Scope of the study: To explore the different role and responsibilities of business economist.

3.1. The Responsibilities of a Business Economist:

The term 'responsibility' refers to the obligations that a person has to perform to attain certain objectives. With rapid expansion and diversification of business activities the responsibilities of a business economist also has increased. The important responsibilities of a business economist are:-

- 1) **Reasonable profit:** Profit maximization is the most important objective of any firm. The success or the failure of any business firm will be assessed on the basis of its profit earning capacity. Hence it is one of the major responsibility of a business economist to ensure a reasonable amount of profit to a business enterprise.
- 2) **Business forecasting:** Most managerial decisions necessarily concern the future, which is rather uncertain. So it is essential that business economist make successful forecasts. By making best possible forecast and through continuous efforts. He should aim at minimizing the risk involved in the business, if not it is possible to completely eliminate them. He must make periodical studies and forecasts regarding the internal and external factors affecting the growth and stability of the firm. Business forecast is like weather forecast. As such in the midst of uncertainties the forecast should suggest how to withstand economic fluctuations.
- 3) **To have contact with the data sources:** A business economist should establish and maintain contracts with various experts, marketing consultants and data sources to collect latest and valuable information to take right decision at right time.
- 4) **Technological development:** A business decision is taken within the framework of technology. So a business economist should keep in touch with the changing developments in technology. A new substitute product of new technology may affect the existing product market adversely.
- 5) **Government policies:** A business firm operates in the general economic and institutional framework of the economy and government policies create a profound impact on business condition. So a business economist has to have a full knowledge of the behaviour of the economy and the impact of macroeconomic policies like monetary and fiscal policies on business environment.
- 6) **Finance:** A business economist should advise the business man in financial matters. Particularly regarding the availability of alternative sources of finance.
- 7) **Location:** A business economist should suggest the place that is economically suitable for the starting the industry.
- 8) **Objectives:** A businessman has both short-term and long-term objectives. Sometimes the achievement of short term objective (Profit maximization) comes in the way of the achievement of the long-term objective (sales maximization). So a business economist should help the firm in reconciling the conflicting ones.
- 9) **To undertake Research Activities:** Market research is common these days to know the requirements of the customers.
- 10) **Specific functions:** K. J. W. Alexandar and Alexandar G. Kemp have listed specific responsibilities for business economists. They are:
 - a) Sales forecasting
 - b) Economic analysis of the industry.
 - c) Production programmes.
 - d) Advice on trade and public relations.
 - e) Analysing the changing economic situations in the country as well as abroad.
 - f) Environmental forecasting.

So business economist is a friend, philosopher and a guide to the business man.

4. CONCLUSION:

Functioning of a business is very crucial. After the survival objective only, the concept of profit maximization and sales maximization will be relevant. Therefore, at the time of economic turmoil, the marketing opportunities of the business firm will be very low. Apart from this, a business firm will have to deal with numerous other challenges like sudden changes in the taste and preferences, fashion, technology, government norms etc., therefore, having tab on those changes are vital and coping with those changes is essential for achieve the objective of survival. In this regard, many of the modern businesses are hiring business economists to identify such sudden changes, taking place externally or deal with problems which are sprouting up internally. Therefore, business economist is playing a crucial role not only in ensuring adequate profitability of the business firm, but also ensuring long run sustainability.

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