FAIRFIELD Institute of Management & Technology
(Affiliated to GGSIP University, New Delhi)
तेजस्वि नावधीतमस्तु
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BBA
GGS Indraprastha University
BBA 204: Business Environment

L-4, T-0, Credits: 04

Objectives:
The basic objective of this course is to familiarize the students with the nature and dimensions of evolving business environment in India to influence managerial decisions.

Unit I **lectures:-12**

An Overview of Business Environment: Type of Environment-internal, external, micro& macro environment. Competitive structure of industries, environmental analysis and Strategic management. Managing diversity. Scope of business, characteristics of business. Objectives and the uses of study. Process and limitations of environmental analysis.

Unit II **lectures:-12**

Economic Environment: Nature of Economic Environment, Economic,Nature and structure of the economy. Monetary and fiscal policies, Competition Act, 2002.

Unit III **lectures:-12**

Socio-Cultural Environment: Nature and impact of culture on business, culture andglobalization, social responsibilities of business. Business and society, social audit, business ethics and corporate governance.

Political Environment: Functions of state, economic roles of government, governmentand legal environment. The constitutional environment, rationale and extent of state intervention.

Unit IV **lectures:-12**

Natural and Technological Environment: Innovation, technological leadership andfollowership, sources of technological dynamics, technology transfer, time lags in technology introduction, status of technology in India. Management of technology, features and impact of technology..

UNIT-1

Business Environment

BBA 204

Business Environment:

The term Business Environment is composed of two words Business'and Environment'. In simple terms, the state in which a person remains busy is known as Business. The word Business in its economic sense means human activities like production, extraction or purchase or sales of goods that are performed for earning profits.

Type of Environment:

Business Environment has two components:

1. Internal Environment

2. External Environment

1. Internal Environment: It includes 5 Ms i.e. man, material, money, machinery andmanagement, usually within the control of business. Business can make changes in these factors according to the change in the functioning of enterprise.

2. External Environment: Those factors which are beyond the control of business enterprise areincluded in external environment. These factors are: Government and Legal factors, Geo-Physical Factors, Political Factors, Socio-Cultural Factors, Demo-Graphical factors etc. It is of two Types:

1. Micro/Operating Environment

2. Macro/General Environment

1. Micro/Operating Environment: The environment which is close to business and affects itscapacity to work is known as Micro or Operating Environment. It consists of Suppliers, Customers, Market Intermediaries, Competitors and Public.

(1) Suppliers: – They are the persons who supply raw material and required components to thecompany. They must be reliable and business Environment must have multiple suppliers i.e. they should not depend upon only one supplier.

(2) Customers: - Customers are regarded as the king of the market. Success of every businessdepends upon the level of their customer's satisfaction. Types of Customers: (i) Wholesalers (ii) Retailers (iii) Industries (iv) Government and Other Institutions (v) Foreigners

3) Market Intermediaries: - They work as a link between business and final consumers.Types:- (i) Middleman (ii) Marketing Agencies (iii) Financial Intermediaries (iv) Physical Intermediaries

4) Competitors: - Every move of the competitors affects the business. Business has to adjustitself according to the strategies of the Competitors.

(5) Public: - Any group who has actual interest in business enterprise is termed as public e.g.media and local public. They may be the users or non-users of the product.

2. Macro/General Environment:– It includes factors that create opportunities and threats tobusiness units. Following are the elements of Macro Environment:

(1) Economic Environment: - It is very complex and dynamic in nature that keeps on changingwith the change in policies or political situations. It has three elements:

(i) Economic Conditions of Public

(ii) Economic Policies of the country

(iii) Economic System

(iv) Other Economic Factors: – Infrastructural Facilities, Banking, Insurance companies, money markets, capital markets etc.

(2) Non-Economic Environment: - Following are included in non-economic environment:-

(i) Political Environment: - It affects different business units extensively. Components:

(a) Political Belief of Government

(b) Political Strength of the Country

(c) Relation with other countries

(d) Defense and Military Policies

(e) Centre State Relationship in the Country

(f) Thinking Opposition Parties towards Business Unit

(ii) Socio-Cultural Environment: - Influence exercised by social and cultural factors, not withinthe control of business, is known as Socio-Cultural Environment. These factors include: attitude of people to work, family system, caste system, religion, education, marriage etc.

(iii) Technological Environment: - A systematic application of scientific knowledge topractical task is known as technology. Everyday there has been vast changes in products, services, lifestyles and living conditions, these changes must be analyzed by every business unit and should adapt these changes.

(iv) Natural Environment: - It includes natural resources, weather, climatic conditions, portfacilities, topographical factors such as soil, sea, rivers, rainfall etc. Every business unit must look for these factors before choosing the location for their business.

(v) Demographic Environment :- It is a study of perspective of population i.e. its size, standardof living, growth rate, age-sex composition, family size, income level (upper level, middle level and lower level), education level etc. Every business unit must see these features of population and recognize their various needs and produce accordingly.

(vi) **International Environment**: - It is particularly important for industries directly dependingon import or exports. The factors that affect the business are: Globalization, Liberalization, foreign business policies, cultural exchange.

Competitive structure of industries:

Competition with other firms is a key aspect of running a business of any size, from a brand new venture to a large corporation. In competitive markets, companies have to fight over the business of potential consumers. In economics, perfect competition refers to an ideal competitive environment that exhibits certain key structural characteristics beneficial to consumers.

Many Sellers and Many Buyers

One of essential components of a competitive industry is the presence of many different sellers of a particular good or service and many potential buyers. If a particular seller controls a large proportion of the market for a certain good or service, it may have the power to set the price for the product or service higher than it would if there were more competitors. In a perfectly competitive industry sellers do not determine the price of goods or services: the price is determined by market. When demand for a certain product or service is high in a competitive market, price will tend to rise, and when demand is low, prices will tend to fall.

Market Entry and Exit

A competitive industry allows firms to freely enter and exit the market and has few barriers to entry. For example, the market for pizza restaurants in a certain large city might be highly competitive, since anyone can choose to open a new pizza shop, and existing owners can close their doors whenever they please. High costs, government regulations and other factors restrict the ability of firms to leave or enter a certain industry and serve to limit competition.

Perfect Information

In a perfectly competitive market, consumers and producers have perfect information about the products, prices and production practices in the market. If consumers don't know about all of their options or are unaware of price differences between different firms in a certain industry, firms are less able to compete for their business.

Similar Products

In a competitive industry, firms must offer products that are similar enough to one another to be considered interchangeable. For instance, a company that sells baseballs might not be in direct competition with a company that sells softballs, even though the balls are somewhat similar, because a baseball is not a substitute for a softball.

Monopoly

A monopoly is a market that only has one seller, while monopsony is a market with only one buyer. In a monopoly, the seller may charge prices higher than it would be able to charge in a competitive market, while the buyer in a monopsony may force sellers to accept a price below what they would charge in a competitive market.

Environmental analysis:

The totality of economic factors, such as employment, income, inflation, interest rates, productivity, and wealth that influence the buying behavior of consumers and institutions.

The benefits of environmental study are as follows:

* Development of broad strategies and long-term policies of the firm.

* Development of action plans to deal with technological advancements.

* To foresee the impact of socio-economic changes at the national and international levels on the firm's stability.

* Analysis of competitor's strategies and formulation of effective countermeasures.

* To keep oneself dynamic.

Strategic management:

It is the process of identifying and executing the organization's mission by matching its capabilities with the demand of its environment.

Process of strategic management

1. **Goal-Setting**

The purpose of goal-setting is to clarify the vision for your business. This stage consists of identifying three key facets: First, define both short- and long-term objectives. Second, identify the process of how to accomplish your objective. Finally, customize the process for your staff, give each person a task with which he can succeed. Keep in mind during this process your goals to be detailed, realistic and match the values of your vision. Typically, the final step in this stage is to write a mission statement that succinctly communicates your goals to both your shareholders and your staff.

2. **Analysis**

Analysis is a key stage because the information gained in this stage will shape the next two stages. In this stage, gather as much information and data relevant to accomplishing your vision. The focus of the analysis should be on understanding the needs of the business as a sustainable entity, its strategic direction and identifying initiatives that will help your business grow. Examine any external or internal issues that can affect your goals and objectives. Make sure to identify both the strengths and weaknesses of your organization as well as any threats and opportunities that may arise along the path.

3. **Strategy Formulation**

The first step in forming a strategy is to review the information gleaned from completing the analysis. Determine what resources the business currently has that can help reach the defined goals and objectives. Identify any areas of which the business must seek external resources. The issues facing the company should be prioritized by their importance to your success. Once prioritized, begin formulating the strategy. Because business and economic situations are fluid, it is critical in this stage to develop alternative approaches that target each step of the plan.

4. **Strategy Implementation**

Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be made clear of their responsibilities and duties, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.

5. **Evaluation and Control**

Strategy evaluation and control actions include performance measurements, consistent review of internal and external issues and making corrective actions when necessary. Any successful evaluation of the strategy begins with defining the parameters to be measured. These parameters should mirror the goals set in Stage 1. Determine your progress by measuring the actual results versus the plan. Monitoring internal and external issues will also enable you to react to any substantial change in your business environment. If you determine that the strategy is not moving the company toward its goal, take corrective actions. If those actions are not successful, then repeat the strategic management process. Because internal and external issues are constantly evolving, any data gained in this stage should be retained to help with any future strategies.

Managing diversity:

The management and leadership of a workforce with the goal of encouraging productive and mutually beneficial interactions among the employees of an organization. Managing diversity aims at providing employees with backgrounds, needs, and skill sets that may vary widely with the opportunity to engage with the company and their co-workers in a manner that produces an optimal work environment and the best possible business results for the company.

Scope of business:

Business activities are classified into 2 parts-

1. Industry
2. Commerce

Industry: Industry is concerned with the production of goods & services. Industry is of 4types-

1. **Manufacturing industries**
2. **Construction industries**
3. **Genetic industries**
4. **Service industries**

Commerce:

Commerce is the whole system of an economy that constitutes an environment for business.The system includes legal, economic, political, social, cultural and technological systems that are in operation in any country. Thus, commerce is a system or an environment that affects the business prospects of an economy or a nation-state. It can also be defined as a component of business which includes all activities, functions and institutions involved in transferring goods from producers to consumers.

Characteristics of business:

The salient features of business are given below:

1. Creation of utilities:

Business makes goods more useful to satisfy human wants. It adds time, place, form and possession utilities to various types of goods. In the words of Roger, "a business exists to create and deliver value satisfaction to customers at a profit".

Business enables people to satisfy their wants more effectively and economically. It carries goods from place of surplus to the place of scarcity (place utility). It makes goods available for use in future through storage (time utility).

2. Dealings in goods and services:

Every business enterprise produces and/or buys goods and services for selling them to others. Goods may be consumer goods or producer goods.

Consumer goods are meant for direct use by the ultimate consumers, e.g., bread, tea, shoes, etc. Producer goods are used for the production of consumer or capital goods like raw materials, machinery, etc. Services like transport, warehousing, banking, insurance, etc. may be considered as intangible and invisible goods.

Services facilitate buying and selling of goods by overcoming various hindrances in trade.

3. Continuity in dealings:

Dealings in goods and services become business only if undertaken on a regular basis. According to Peterson and Plowman, "a single isolated transaction of purchase and sale will not constitute business recurring or repeated transaction of purchase and sale alone mean business."

For instance, if a person sells his old scooter or car it is not business though the seller gets money in exchange. But if he opens a shop and sells scooters or cars regularly, it will become business. Therefore, regularity of dealings is an essential feature of business.

4. Sale, transfer or exchange:

All business activities involve transfer or exchange of goods and services for some consideration. The consideration called price is usually expressed in terms of money. Business delivers goods and services to those who need them and are able and willing to pay for them.

For example, if a person cooks and serves food to his family, it is not business. But when he cooks food and sells it to others for a price, it becomes business. According to Peter Drucker "any organisation that fulfils itself through marketing a product or service is a business".

5. Profit motive:

The primary aim of business is to earn profits. Profits are essential for the survival as well as growth of business. Profits must, however, be earned through legal and fair means. Business should never exploit society to make money.

6. Element of risk:

Profit is the reward for assuming risk. Risk implies the uncertainty of profit or the possibility of loss. Risk is a part and parcel of business. Business enterprises function in uncertain and uncontrollable environment.

Changes in customers' tastes and fashions, demand, competition, Government policies, etc. create risk. Food, fire, earthquake, strike by employees, theft, etc. also cause loss. A businessman can reduce risks through correct forecasting and insurance. But all risks cannot be eliminated.

7. Economic activity:

Business is primarily an economic activity as it involves production and distribution of goods and services for earning money. However, business is also a social institution because it helps to improve the living standards of people through effective utilisation of scarce resources of the society.

Only economic activities are included in business. Non-economic activities do not form a part of business.

8. Art as well as science:

Business is an art because it requires personal skills and experience. It is also a science because it is based on certain principles and laws.

The above mentioned characteristics are common to all business enterprises irrespective of their nature, size and form of ownership.

Objectives of environmental analysis:

engage, assess, and critique an interdisciplinary scholarly literature;

apply relevant theoretical techniques and methodological insights to environmental issues across the disciplines;

conduct original archival, empirical and/or applied research, individually and collaboratively;

speak and write clearly and persuasively;

Understand the real-world dimensions of environmental problem-solving.

Uses of Environmental Analysis:

1. It should provide an understanding of current & potential changes taking place in the task environment.
2. It should provide input for decision making.
3. It should facilitate & foster thinking in organizations.

Environmental Analysis Process

The analysis consists of four sequential steps:

1. **Scanning**

It involves general surveillance of all environmental factors and their interactions in order to:

* Identify early signals of possible environmental change

* Detect environmental change already underway

2. **Monitoring**

It involves tracking the environmental trends, sequences of events, or streams of activities. It frequently involves following signals or indicators unearthed during environmental scanning.

3. **Forecasting**

Strategic decision-making requires a future orientation. Naturally, forecasting is an essential element in environmental analysis. Forecasting is concerned with developing plausible projections of the direction, scope, and intensity of environmental change.

4. **Assessment**

In assessment, the frame of reference moves from understanding the environment- the focus of scanning, monitoring and forecasting – to identify what the understanding means for the organization. Assessment, tries to answer questions such as what are the key issues presented by the environment, and what are the implications of such issues for the organization.

<u>Limitations of Environmental Analysis:</u>

1. Based on assumptions.
2. Not absolute truth.
3. Time consuming & expensive.

UNIT-2

Economic Environment:-

It is very complex and dynamic in nature that keeps on changing with the change in policies or political situations. It has three elements:

(i) Economic Conditions of Public

(ii) Economic Policies of the country

(iii) Economic System

(iv) Other Economic Factors: – Infrastructural Facilities, Banking, Insurance companies, money markets, capital markets etc.

Nature of Economic Environment:

1. National entity
2. Institutional
3. Interdependence
4. Scarcity of resources

5. Need satisfaction
6. Dynamic

Basic economic system:

1. Traditional Economy
2. Mixed Economy
3. Command Economy Market Economy

Economic planning:

According to Arthur Lewis, a development plan may consist of the following parts:

1. Survey of current economic conditions.

2. List of proposed public expenditures.

3. Discussion of likely development in private sector

4. Macro economic projections of the economy

5. Review of government policies

1. **Survey of current economic conditions**: The economic survey shows the changes in respect of population, NI, taxation, government expenditures and BOP, etc. It also tells us the changes needed or expected to occur in these economic variables. The economic survey is usually for one year.

2. **List of proposed public expenditures**: The proposals and suggestions for incurring public expenditures on development projects are invited from various government departments and agencies. After a thorough scrutiny of these recommendations, an order of priority is determined deciding what is to be included, what is to be postponed or rejected as the financial resources are less than required.

3. **Discussion of likely development in private sector**: It is said that both public and private sectors are inter-related and rate of economic development depends more on the working of the private sector than expenditures in public sector. The government reviews the performance of major industries in economic planning, and sets quantitative targets for the plan period. All this

involves a brief in-depth analysis of the working and implications of market structure.

4. Macro economic projections of the economy: It refers to the preparation of aggregate models which are applied to the economy as a whole. These models deal with production and consumption as single aggregates. Aggregate models are used to determine the possible growth rates in NI, the division of national product among consumption, investment and exports, the required volume of domestic savings, imports and foreign assistance needed to carry out a given development programmed. This involves massive calculations and paper work5. Review of government policies: The government through development policy can influence the decisions indirectly in the private sector.

Nature of the economy:

The general level of the development of the economy has lot of implications for business- It has significant bearing on the nature & size demand, Govt. policies affecting business etc.

Countries & even different regions within a country show great differences in the level & pattern of economic development.

A widely used method of classification of economies is on the basis of per capita income. Accordingly countries are broadly classified as low income, middle income, & high income economies.

Beside income other criteria such as sectoral distribution of income & employment generation, social development indicators etc are applied to consider whether an economy is developed & developing one.

Structure of the economy:

Factors such as contribution of different sectors like primary (mostly agricultural), secondary (industrial) and territory (service sectors),large, small, medium, & tiny sectors to the economy & their linkages, integration with the world economy etc. are important to business because these factors indicate the prospects for different types of business, certain factors which affect the business etc.

Normally as the economy develops the share of the primary sector in the GDP and employment declines & those of other sectors increase.

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Monetary policy:

Monetary policy is the process by which monetary authority of a country, generally a central bank controls the supply of money in the economy by exercising its control over interest rates in order to maintain price stability and achieve high economic growth.[1] In India, the central monetary authority is the Reserve Bank of India (RBI). is so designed as to maintain the price stability in the economy. Other objectives of the monetary policy of India, as stated by RBI, are:

Price Stability

Price Stability implies promoting economic development with considerable emphasis on price stability. The centre of focus is to facilitate the environment which is favourable to the architecture that enables the developmental projects to run swiftly while also maintaining reasonable price stability.

Controlled Expansion Of Bank Credit

One of the important functions of RBI is the controlled expansion of bank credit and money supply with special attention to seasonal requirement for credit without affecting the output.

Promotion of Fixed Investment

The aim here is to increase the productivity of investment by restraining non essential fixed investment.

Restriction of Inventories

Overfilling of stocks and products becoming outdated due to excess of stock often results is sickness of the unit. To avoid this problem the central monetary authority carries out this essential function of restricting the inventories. The main objective of this policy is to avoid over-stocking and idle money in the organization

Promotion of Exports and Food Procurement Operations

Monetary policy pays special attention in order to boost exports and facilitate the trade. It is an independent objective of monetary policy.

Desired Distribution of Credit

Monetary authority has control over the decisions regarding the allocation of credit to priority sector and small borrowers. This policy decides over the specified percentage of credit that is to be allocated to priority sector and small borrowers.

Equitable Distribution of Credit

The policy of Reserve Bank aims equitable distribution to all sectors of the economy and all social and economic class of people

To Promote Efficiency

It is another essential aspect where the central banks pay a lot of attention. It tries to increase the efficiency in the financial system and tries to incorporate structural changes such as deregulating interest rates, ease operational constraints in the credit delivery system, to introduce new money market instruments etc.

Reducing the Rigidity

RBI tries to bring about the flexibilities in the operations which provide a considerable autonomy. It encourages more competitive environment and diversification. It maintains its control over financial system whenever and wherever necessary to maintain the discipline and prudence in operations of the financial system.

Fiscal Policy:

Fiscal policy is the use of government revenue collection (taxation) and expenditure (spending)to influence the economy. The two main instruments of fiscal policy are changes in the level and composition of taxation and government spending in various sectors. These changes can affect the following macroeconomic variables in an economy:

- Aggregate demand and the level of economic activity;
- The distribution of income;
- The pattern of resource allocation within the government sector and relative to the private sector.

Fiscal policy refers to the use of the government budget to influence economic activity.

Competition Act, 2002

The Competition Act, 2002 was enacted by the Parliament of India and governs Indian competition law. It replaced the archaic Monopoly and Restrictive Trade Practices Act, 1969. Under this legislation, the Competition Commission of India was established to prevent activities that have an adverse effect on competition in India. This act extends to whole of India except the State of Jammu and Kashmir.

It is a tool to implement and enforce competition policy and to prevent and punish anti-competitive business practices by firms and unnecessary Government interference in the market. Competition laws are equally applicable on written as well as oral agreement, arrangements between the enterprises or persons.

The Competition Act, 2002 was amended by the Competition (Amendment) Act, 2007 and again by the Competition (Amendment) Act, 2009.

This is an act to establish a commission, protect the interest of the consumers and ensure freedom of trade in markets in India-

- To prohibit the agreements or practices that restricts free trading and also the competition between two business entities,
- To ban the abusive situation of the market monopoly,
- To provide the opportunity to the entrepreneur for the competition in the market,
- To have the international support and enforcement network across the world,
- To prevent from anti-competition practices and to promote a fair and healthy competition in the market

Salient Features

Anti-Competitive Agreement

Enterprises, persons or associations of enterprises or persons, including cartels, shall not enter into agreements in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which cause or are likely to cause an **"appreciable adverse impact**" on competition in India. Such agreements would consequently be considered void. Agreements which would be considered to have an appreciable adverse impact would be those agreements which-

- Directly or indirectly determine sale or purchase prices,
- Limit or control production, supply, markets, technical development, investment or provision of services,

- Share the market or source of production or provision of services by allocation of inter alia geographical area of market, nature of goods or number of customers or any other similar way,
- Directly or indirectly result in bid rigging or collusive bidding.

UNIT-3

Socio-Cultural Environment:

A set of beliefs, customs, practices and behavior that exists within the population, International companies often include an examination of the socio-cultural environment prior to entering their target markets.

Nature of culture:

1. Culture is a wholistic concept.
2. Culture is not innate.
3. Culture is the outcome of social interaction among people over a period of time.
4. Culture is cumulative.
5. Culture is a basic determinant of human personality.
6. Culture provides socially acceptable pattern for meeting biological & social needs.
7. Culture is independent of any individual or group.
8. Culture is of 2 types – material & non-material.

Impact of culture on business:

A good dialog and better understanding are basic prerequisites for a relationship of any kind. Every culture has its own ways of expression, which reflects in its communication and interaction practices. Good attentions may lead to misinterpretations in other cultures, if their perception does not involve common understanding of related criteria and values. Europe is reach on cultural diversity. And therefore cultural harmonization between countries that are interacting is very important in order to ensure good understanding, which is the key for the establishment of a trustful relation and smooth cooperation.

The project for Harmonization of Culture and Arts in Turkey and Austria between IG AD, UGEV, and IDEA Society is a very good example of such an initiative supported by the European Union. Both countries, Turkey and Austria, are rich on culture and traditions. And they carry enormous potential for mutual benefits across collaborations on intellectual and business level.

culture and globalization:

Technology has now created the possibility and the likelihood of a global culture. The Internet, fax machines, satellites, and cable TV are readily available throughout the world at the click of the mouse. Global entertainment companies shape the perceptions and dreams of ordinary citizens, wherever they live. Some people that this spread of values, norms, and culture tends to promote Western ideals of capitalism. Will local cultures inevitably fall victim to this global "consumer" culture? Will English eradicate all other languages? Will consumer values overwhelm peoples' sense of community and social solidarity? Is globalization a threat to our traditional and local cultures?

Globalization is a process of interaction and integration among individuals, businesses, and governments. It is a process driven by international trade and investment and aided by modern technology. This process has effects on the environment, on culture, on political systems, on economic development and on human physical well-being in societies around the world. The spread of globalization will undoubtedly bring changes to all countries it reaches. It is argued that one of the consequences of globalization will be the end of cultural diversity, and the triumph of a uni-polar culture serving the needs of transnational corporations.

social responsibilities of business:

Social responsibility is an ethical ideology or theory that an entity, be it an organization orindividual, has an obligation to act to benefit society at large. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals.

Business and society:

Companies play an important role in society, impacting on communities and regions as well as individual employees. The concept of corporate social responsibility recognizes that businesses often voluntarily integrate social and environmental concerns into their business models.

Issues of corporate governance come into play particularly in cases of company restructuring. The Foundation monitors developments through its European Restructuring Monitor. Through their business operations, companies have an important impact on the natural environment. The corporate sector has found itself in the media spotlight for environmentally problematic activities. Small and medium-sized enterprises are also under increasing pressure to adopt environmentally responsible practices.

Social audit:

A formal review of a company's endeavor in social responsibility, A social audit looks at factors such as a company's record of charitable giving, volunteer activity, energy use, transparency, work environment and worker pay and benefits to evaluate what kind of social and environmental impact a company is having in the locations where it operates. Social audits are optional--companies can choose whether to perform them and whether to release the results publicly or only use them internally.

In the era of corporate social responsibility, where corporations are often expected not just to deliver value to consumers and shareholders but also to meet environmental and social standards deemed desirable by some vocal members of the general public, social audits can help companies create, improve and maintain a positive public relations image. Good public relations are key because the way a company is perceived will usually have an impact on its bottom line.

Business ethics:

The study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities, Business ethics are often guided by law, while other times provide a basic framework that businesses may choose to follow in order to gain public acceptance.

Business ethics are implemented in order to ensure that a certain required level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and mall individual investors. Such practices ensure that the public is treated fairly.

Corporate governance:

Corporate governance refers to the system by which corporations are directed and controlled.The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and specifies the rules and procedures for making decisions in corporate affairs. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Governance is a mechanism for monitoring the actions, policies and decisions of corporations. Governance involves the alignment of interests among the stakeholders.

Political Environment:

Government actions which affects the operations of a company or business, these actions may be on local, regional, national or international level. Business owners and managers pay close attention to the political environment to gauge how government actions will affect their company.

Functions of state:

1. **The basic functions**
   Such as defense, law & orders

2. **Intermediate functions**

   Such as primary education, pollution control etc.

3. **Activist functions**

   Such as participate in several sectors.

Economic roles of government:

Providing the Legislative Framework

The government provides a clear and predictable legal framework for businesses. Regulations are administered in an open and transparent system, and applied fairly to all parties. The government makes it clear to businesses that it deals with them solely on the merits of their case. There is no favoured treatment for local companies or for government-linked companies.

Providing a Stable Environment for Businesses

Fiscal policy in Singapore is guided by the principle that it should support the private sector as the engine of growth and ensures that the macro-environment is stable. The Singapore government has been prudent and conservative in its budgetary policy. It has balanced its budget in nearly every year for the last 3 decades.

Monetary policy is geared towards keeping inflation low and stable for long-term competitiveness and to ensure that savings are not debased.

The government also sets clear and transparent ground-rules and ensures that markets are competitive, for example, by ensuring that imports are allowed to come in freely.

Investing in Infrastructure and Manpower

The government invests in infrastructure and manpower, areas in which the private sector is likely to under-invest. It ensures that the education and training system is geared towards the needs of the economy, with a strong emphasis on providing technical and professional manpower. Similarly, an efficient infrastructure lowers business costs and makes it attractive for investors to come to Singapore.

Facilitating Businesses

The government facilitates businesses, including foreign investors wishing to come to Singapore. This function is carried out mainly by promotional agencies like the Economic Development Board and the International Enterprise Singapore.

Government and legal environment:

It's important to know the rules you must play by. There are four major bases for legal systems:

Common law: found in the UK, the US, Canada and other countries under English influence.

Islamic Law: Derived from the Koran and found in Islamic States

Commercial legal system: Found in Marxist-socialist economies and states like China, and the former Soviet Union

Civil or Code law: found in Germany, France, Japan and non-Islamic and non-Marxist countries

There are three different types of international legal disputes; those between governments, between a company and a government and between two companies. There is no absolute international law system, so there are many ways to handle conflict. The question most commonly asked in these instances are "Whose law governs?"

In order to resolve legal issues, there are three general ways to determine jurisdiction.

On the basis of jurisdictional clauses in contracts
On the basis of where a contract was entered into
On the basis of where the provisions of the contract were performed

Some laws that are essential to focus on that are involved with global marketing are: intellectual property rights laws, commercial laws within countries (such as marketing laws), environmental laws, foreign countries' antitrust laws, and cyber laws.

Government policies and laws vary from country to country, and doing business abroad means that government may have a greater level of involvement than what you are used to in domestic business. Overall, the primary marketing objective is to develop a plan that will be enhanced or at least not negatively affected by the political and legal environments.

The constitutional environment:

Principles of government policies

- Under **Article 48A** of the Indian Constitution, it is stated that the State shall endeavor to protect and improve the environment and to safeguard the forests and wild life of the country.

1. In the first part of this Article it is very obvious that one of the principles of the State policies must be to incorporate those policies directed to the improvement and the protection of the environment. The second part is the implication of safeguarding forests and wild life, since fertile and rich forests are superb conditions for wild life, and together they form forest ecosystem, which is a very important part of the environment. Having highly conserved forests creates clean environment, and supports sustainable development.

Norms

- Similar to Article 32 of Part III of the Bangladesh Constitution, **Article 21** of the Indian Constitution provides that no person shall be deprived of his life or personal liberty except according to procedure established by law.

Rights and responsibilities - duties of states, people, and institutions

- Under **Article 19** of the Indian Constitution all citizens are given the right to freedom of speech and expression.

1. Accordingly, any citizen of India has the right to inform others the situation or condition of the environment and the cause of pollution even though the main criticism is the inefficiency of the State or the no transparency of private sector since such action is supported by the Constitution.

- The Constitution of India tasks State under **Article 47** to regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties and, in particular, to bring about prohibition of the consumption except for medicinal purpose of intoxicating drinks and of drugs which are injurious to health.

1. In tasking the State to raise the standard of living of the people and to improve the public health, the Constitution views that it is the duty of the State to create a good environment for the living condition of its citizens. In addition, the prohibition of the consumption of intoxicating drinks implies the forbiddance of polluting the waters, especially, those important sources of drinking water.

- **Article 51A** of the Constitution of India specifies fundamental duties of every citizen. It is the duty of every citizen of India: to cherish and follow the noble ideals which inspired the national struggle for freedom; to uphold and protect the sovereignty, unity and integrity of India; to value and preserve the rich heritage of the composite culture; to protect and improve the natural environment including forests, lakes, rivers and wild life, and to have compassion for living creatures; and to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavor and achievement.

1. One struggle for freedom of mankind is to struggle to be free from polluted environment and to have good quality environment is the integrity of the nation. As a matter of fact, the Constitution tasks each and every citizen of India to nurture the noble ideals and integrity of India. Additionally, India has a rich heritage of culture with respect to living peacefully with the natural surrounding and to enriching the forests, which must be carried on in order to improve the conditions of the Indian environment.

2. As is obviously seen that Article 51A directly tasks the citizens of India to protect and improve natural environment and to have compassion for living creatures, this responsibility of the people needs no explanation since it is clear and settle in itself. The protection of environment then is supported by strive towards excellence in all spheres of individual and

collective activity to raise the country to achieve the stage of being an environmentally clean nation.

Rationale and extent of state intervention:

Minimal Functions:-

Providing pure public goods.

Defense.

Law and order.

Property rights.

Public health.

Protecting the poor.

Disaster relief.

Intermediate Functions:-

Addressing externalities

Basic education.

Environmental protection.

Consumer protection.

Insurance (health, life, pensions)

Unemployment.

Overcoming imperfect information.

Activist Functions:-

Coordinating private activities.

Cluster initiatives.

Assets redistribution

UNIT-4

Natural Environment:

Natural environment is the group of natural resources which is used by business. Let me explain it in detail. Suppose, one business is of manufacturing, you know, from where will it get its raw material? For producing goods, manufacturing business gets all raw materials from nature. All agricultural input will use in manufacturing. His machines are also made by nature's metals. His used energy is also from natural gas or diesel oil or electricity which comes from nature.

In business, when we use these natural resources without any limit, natural environment changes. Global warming, floods, famines, tsunami and earth quake are its result.

Technological Environment:

"Technological Environment means the development in the field of technology which affects business by new inventions of productions and other improvements in techniques to perform the business
work.

We see that in 21st century, technology is changing rapidly. Now, all work is done online and business shops are using machinery at high level. There are following technological environment factors which affects business.

• New inventions to produce the products.

• New inventions relating to marketing like BPO for selling online in international market.

Innovation:

Innovation is the application of new solutions that meet new requirements, inarticulate needs, orexisting market needs. This is accomplished through more effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society. The term innovation can be defined as something original and new that "breaks in to" the market or into society. One usually associates to new phenomena that are important in some way. A definition of the term, in line with these aspects, would be the following: "An innovation is something original, new, and important - in whatever field - that breaks in to (or obtains a foothold in) a market or society.

While something novel is often described as an innovation, in economics, management science and other fields of practice and analysis it is generally considered a *process* that brings together various novel ideas in a way that they have an impact on society.

Innovation differs from invention in that innovation refers to the use of a better and, as a result, novel idea or method, whereas invention refers more directly to the creation of the idea or method itself.

Innovation differs from improvement in that innovation refers to the notion of doing something different rather than doing the same thing better.

Technological leadership and followership:

Most firms in most countries find themselves taking up new technology in the wake of pioneers or first-movers. A central question is how (and whether) such firms can make a success of being followers--in the time-related sense of adopting subsequently.

We take a novel approach to this question by drawing on the literature of leadership and followership within organizations. This literature employs characteristics in two dimensions to build taxonomy of types of follower--in the hierarchical sense of working for and with an organizational superior. Using this approach, we generate hypotheses about the sorts of firms which are likely to prove more or less successful as early and later technology adopters.

Sources of technological dynamics:

The fate of regions and of nations increasingly depends upon ideas and innovations to facilitate growth. In recent years, geographers have made fundamental contributions to our understanding of the innovation process by:

Exploring the diffusion of innovation, the location of R&D, and the geography of high-technology industry.

Technological infrastructure of particular places. This infrastructure is comprised of agglomerations of firms in related manufacturing industries, geographic concentrations of industrial R&D, concentrations of university R&D, and business-service firms. Once in place, these geographic concentrations of infrastructure enhance the capacity for innovation, as regions come to specialize in particular technologies and industrial sectors.

Geography organizes this infrastructure by bringing together the crucial resources and inputs for the innovation process in particular places. Using a direct measure of commercial product innovation, an empirical model of the geography is presented.

Customers needs & expectations

Demand conditions

Substitutes

Social forces

Govt. policy

Technology Transfer:

Technology transfer refers to the formal process of transfer of technology from proprietor yo other firm.

The locus of industrial innovation is shifting toward industrial networks, in which parallel development processes in individual interconnected actors frequently dominate. This development presents new challenges for the measurement and evaluation of technology transfer. Technology transfer mechanisms and indicators are found to be phase, interface and component dependent .

Time lags in technology introduction:

Time lags have been observed between countries in respect of introduction & absorption of technologies. In many developing countries like India TV arrived very late. TV came to India about 1990's. The electronic type writer became popular in India before the electric type writer could penetrate.

Many companies in advanced countries have considered the developing countries as a market for their obsolete technology. Furthermore, for the group of 25 countries as a whole, technology gap models of economic growth are found to explain a large part of the actual differences in growth rates, both between countries and periods. As expected, both the scope for imitation, growth in innovative activity and "efforts" to narrow the gap (investment) appear as powerful explanatory factors of economic growth. However, when the non-OECD countries, and later USA and Japan, are removed from the sample, the explanatory power of the technology variables, especially growth in innovative activity, diminishes.

Status of technology in India:

After Independence, India had basic problems like poverty , unemployment and development of India . Indian Govt. has taken many following steps for technological development.

1. Establishment of technological and research institute

Indian govt. has established 500 technological institutes for providing education to Indian students. It has also established 1080 research institutes. In these institutes major names like space research centre, medical research centre and agricultural research centre have developed India technically.

2. Positive Technical policy

India has strong and positive technical policy for technological development. This policy opens door to import technology from foreign countries for increasing agricultural and industrial developments.

3. High Growth Rate of Information Technology in India, IT sector is developing with 35% growth rate, India is second country after China whois using internet at large scale for e-commerce, e-education and e-accounting.

4. Incentive for promoting Technology in India

Indian Govt. has given 100% income tax exemption for expenses incurred in research of technology in India.

State financial corporation is uplifting domestic technology by supporting finance to domestic Industries.

Management of technology:

Technological change is a major source of competitive advantage. To successful in the world we need to adopt & use most appropriate technology, this is called management of technology.

The management of Information Technology (IT) and Information Systems (IS) is considered a complex exercise by academics and practitioners alike. The reason for this is that there are ubiquitous portfolios of tangible and intangible benefits that are offered to an organization following the adoption of IT/IS that, in turn, all needs managing to ensure realization. Organizations also have to take into account the direct and often larger indirect cost that is typically associated with IT/IS deployments.

Features of technology:

1. Technological environment is a component of macro environment.
2. Technology has far reaching effect.
3. Technology is changing very fast.
4. Technology feeds on itself.
5. Technology is different from science.

Impact of technology:

1. Higher productivity
2. Need for multi skilling & multitasking.
3. Difficulty in motivation
4. Increasing need for capital
5. Increase in obsolescence.
6. Organizational restructuring.
7. Resistance to change.
8. Social implications.

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