

Chapter 3: Management and Business Environment

- (iii) **Technological Environment:** It refers to the broad characteristics of technology in which the business enterprise operates.
- It includes rate of technological changes, state of technology and organisation's approach to technological development.
 - Technological advances create new products, new production techniques and processes and new ways of managing and communicating.
 - Accordingly, organizations must be able to respond quickly to new developments & create innovations of their own.
 - Companies often fail because of delay in adopting new technological thinking.
 - Example: Colour TV with remote control in place of B&W TV sets.
- (iv) **Political Environment:** Political environment includes political conditions such as political leadership, political stability, political ideology, extent and nature of governmental intervention in business and so on.
- Political factors play a major role in shaping the environment, in which business firms operate.
 - All business firms are affected in greater or lesser degree by the policies and practices of the government.
 - Political stability builds up confidence, whereas political instability shakes that confidence.
 - For example, In 1977, MNCs like Coca-Cola and IBM were forced to move out of India due to the strict policy of The Janta Government.
- (v) **Legal Environment:** Legal Environment refers to the framework of laws and various legislations within which business transactions are to take place.
- It consists of legislations that have been passed by the Parliament or/and State Legislatures.
 - These legislations prescribe rules or laws, which are to be followed by all organisations.
 - Some of the laws are: Companies Act, Factories Act, etc.
 - Apart from these laws, there are a number of laws to regulate matters, such as standard of product, packaging, promotion, etc.
 - For example, Packaging of cigarettes must carry the statutory warning: "Cigarette smoking is injurious to health".

Q5. Discuss the elements of economic environment.

Ans. From the viewpoint of corporate structure and economy, the critical elements of economic environment may be highlighted as under:

- Stage of Economic Development:** The level or stage of economic development defines the physical framework of the environment.
- Economic Structure:** The philosophy and practice of economic system in the form of mixed economy will, to a large extent, determine the relative roles and responsibilities of both public and private sectors.
- Economic Planning:** Economic planning gives a direction to the changes in the economic environment. It includes five year plans, annual budgets, etc.
- Economic Policies:** Planning is a programme for action, not an end in itself. It must, therefore, be followed by proper implementation. RBI works through monetary policy, while government exercises its control through fiscal policy.
- Fluctuations and trends in Economic indices:** The functioning of an economy is reflected in macro-economic variables like national income, distribution of income, rate and growth of GNP, balance of payments, etc. These trends decide the course of the prevailing economic activity.
- Infrastructural Factors:** Infrastructure refers to all such activities and facilities, which are needed to provide different kinds of services in an economy. It includes financial institutions, banks, modes of transportation, communication facilities, etc. Lack of infrastructure has a serious constraint on economic growth.

Q6. State the features of economic environment in India at the time of Independence.

Ans. The main features of economic environment in India at the time of Independence were:

- Indian economy was mainly agrarian and rural in nature. About three-fourth workforce was employed in agriculture and around 85% of population lived in the villages.
- Obsolete and outdated technology was used in production.
- Widespread communicable diseases.
- High infant mortality rates.
- Improper public health system.

Q7. Discuss the main objectives of India's development plans.

Ans. The main objectives of India's development plans were:

- To initiate rapid economic growth to raise standard of living, reduce unemployment and poverty;
- To become self-reliant and set up a strong industrial base with emphasis on heavy and basic industries;
- To reduce inequalities of income and wealth;
- To adopt the economic system of mixed economy, in order to give importance to socialist pattern.

Q8. Briefly discuss the main features of New Industrial Policy.

Ans. The broad features of this policy were as follows:

- Delicensing:** The new policy had abolished industrial licensing for all projects, except for six industries.
- Decrease in role of Public Sector:** In the new policy, the number of industries, exclusively reserved for the public