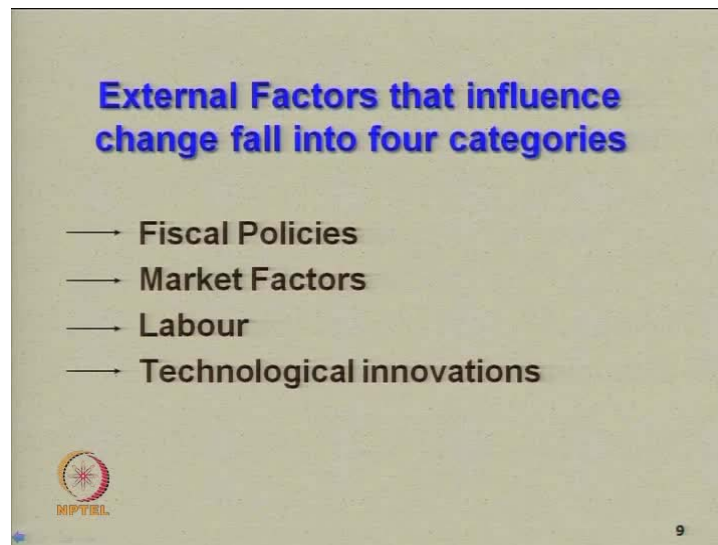


**Organization Management**  
**Prof. Vinayshil Gautam**  
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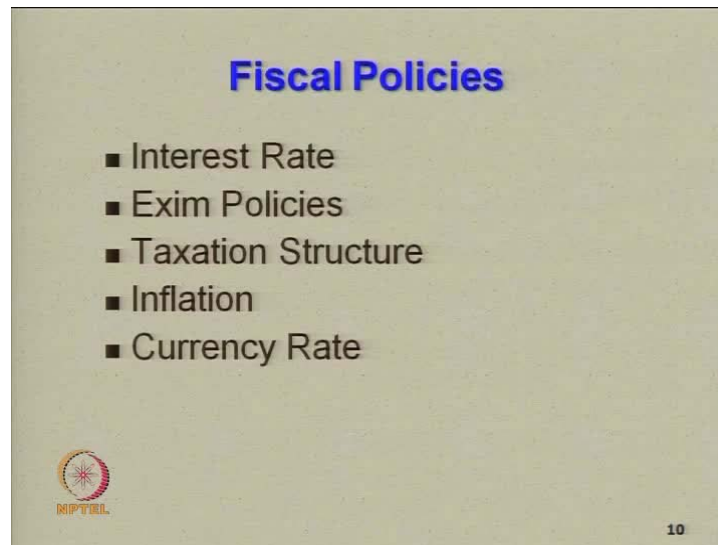
**Lecture No. # 31**  
**Environmental Analysis Techniques**  
**and**  
**Impact for Organisation Growth (Contd.)**

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The external factors that influence change fall into four categories: fiscal policies, market factors, labour and technological innovations. Now, fiscal policies are essentially a reflection of the regulatory processes of the government, but market factors are those determined by the kind of supplier and the consumer and the infrastructure you have. Labour again has to do which regulatory processes and the supply side, and the temperament and behavior. And, of course, technological innovations we have touched upon briefly and will come back to more of it.

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Fiscal policies govern things like interest rates, exim policies, by exim it is meant export, import policies, taxation structure, inflation, currency rates and the list is long.

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The market factors are the customers and one of the most customer driven outlets is Mc Donalds. Mc Donalds does not make a fetish out of selling just one type of food. If he discovers that a certain type of food sells, here we have to sell it. They are in the business of food, not chicken; nothing wrong with either, but this is a conscious choice. Then, this is a question of competition - pricing strategies of Pepsi and Coke reflects what

competition can do to your pricing structure. Type of market: Ford Aston Martin verses Taurus.

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**Labour**

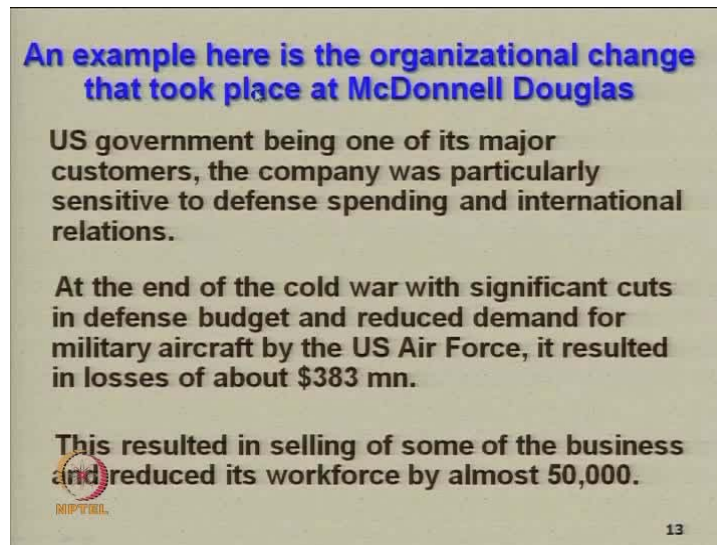
- Skill level of employees
  - I.T. industry in India
- Cultural diversity
- Influx of more and more ex-pats as well as NRI shows growing opportunities in India while declining opportunities in their motherland.

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Skill level of the employees is a major determinant of what labour can do; typically, IT industry in India. Now, the IT industry in India is to a very large extent bereft of the blue collar; there is no blue collar in the IT industry. So, the kind of labour which they have would require the conventional meaning of labour itself to be changed to be equivalent to - as I was telling you on an earlier on occasion - personal. So, labour is no longer labour; labour is personal, whoever works for an organization is the labour.

Cultural diversity - People from certain type of cultures expect certain kind of work environment. Influx of more and more ex-pacts as well as NRIs shows growing opportunities in India, while declining opportunities in their motherland. This is what a popular perception is, after having stated it to you, I am going to just leave it there.

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**An example here is the organizational change that took place at McDonnell Douglas**

**US government being one of its major customers, the company was particularly sensitive to defense spending and international relations.**

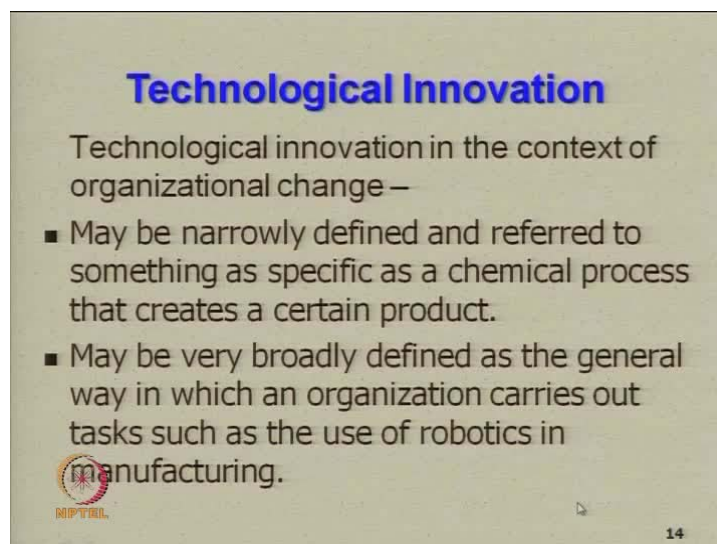
**At the end of the cold war with significant cuts in defense budget and reduced demand for military aircraft by the US Air Force, it resulted in losses of about \$383 mn.**

**This resulted in selling of some of the business and reduced its workforce by almost 50,000.**

 13

An example here is the organizational changes that took place in Mc Donnell Douglas. US government being one of its major customers, the company was particularly sensitive to defense spending and international relations. At the end of the cold war with significant cuts in defense budget and reduced demand for military aircraft by the US Air Force, it resulted in losses of about 383 million dollars. This resulted in selling of some of the business and reduced its workforce by almost 50,000.


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**Technological Innovation**

Technological innovation in the context of organizational change –

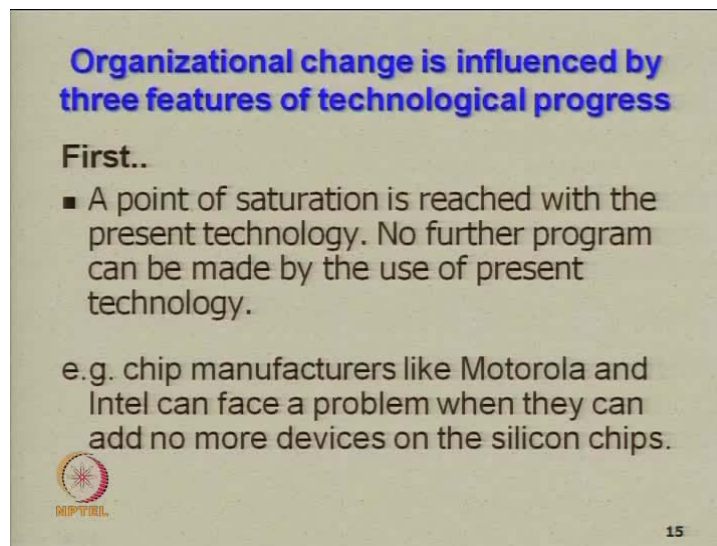
- May be narrowly defined and referred to something as specific as a chemical process that creates a certain product.
- May be very broadly defined as the general way in which an organization carries out tasks such as the use of robotics in manufacturing.

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Technological innovation in the context of organizational change- **therefore was the answer which they saw.** As everyone knows the subsequent history of Mc Donnell Douglas shows a shift from moving away from the air force; now, that needs a change in technology.

The kind of propulsion which you need in a jet fighter, you do not need in a Boeing aircraft. So, it really convergence among issues of technological innovation. Even in broadly similar technology, you have to suit what the market demands. May be narrowly defined and referred to as something as specific as chemical processes that create a certain product; may be broadly defined **and as the** general way in which an organization carries out such tasks, such as the use of robotics in manufacturing and we have discussed them both.

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**Organizational change is influenced by three features of technological progress**

**First..**

- A point of saturation is reached with the present technology. No further program can be made by the use of present technology.

e.g. chip manufacturers like Motorola and Intel can face a problem when they can add no more devices on the silicon chips.

 NIPTEL


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Organizational change is influenced by three features of technological progress: first, a point of saturation is reached with the present technology; in other words, the technology which you are using cannot undertake any further expansion; it is stretched. A point of chip manufacturers like Motorola and Intel can face a problem when they can add no more devices on the silicon chips.

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**Second..**

- Technological innovation and progress follows a very distinctive pattern known as the S-curve.
- Products that have already undergone considerable technological progress—such as video recorders, cars— will not change dramatically in the future.
- These products will be replaced by something technologically different-like CD.s have replaced cassettes.



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Second, technological innovation and progress follows a very distinctive pattern known as the S-curve. Products that have already undergone such considerable technological progress - such as video recorders, cars - will not change dramatically in the future. These products will be replaced by something technologically different, like CDs have replaced cassettes.

The important thing to realize is that there is such a thing as saturation of technology - both in terms of capacity and in terms of its upscalability. Therefore, I put it to you the technological innovation and progress, follows a very distinctive pattern known as the S-curve. Products that have already undergone considerable technological progress - such as video recorders, cars - will not change dramatically in the future.

For example, the innovations have been so large in a car that the car will remain something which is driven on four wheels. If you alter the number of wheels, it will become a **two, three**-wheeled vehicle but it will not remain a car; it is a different breed. The car will have a steering wheel; the car will have a seat; what can you change therefore? See, the way it can take a command, but the larger point to be made is, as a technology grows, the scope of innovation keeps getting reduced till that product itself gets phased out.

Consider the storage industry, for example. There was a time where floppies were around and computers were geared to take floppies. Now, you cannot find computers which take

floppies. They moved on to CDs and DVDs; then the pen drives; now, there is talk of disk drives. No storage device of an electronic variety has lasted for more than 5 years. Try to stretch your imagination to grasp, what kind of responsibility it puts on the manufacturing system. If you are in the business of manufacturing floppies or CDs, then from the inception stage to the growth stage, you have to digitize the breakeven activities. And when you reach the peak, there was a plateau, where you made your profits, and even before you could say Jack Robinson, the profits was said to decline because the technology itself had been phased out.

The long and short of it is, that technological innovation does not necessarily mean improving upon the same product. It can also mean an innovation which has to do, with creating a product which fulfills the same function. And kindly note the distinction between the two: one innovation is within the broader parameter, like the way I am conducting this class, it would not have been conducted 15 years ago and I doubt whether similar class will be conducted in a similar manner 15 years down the line.

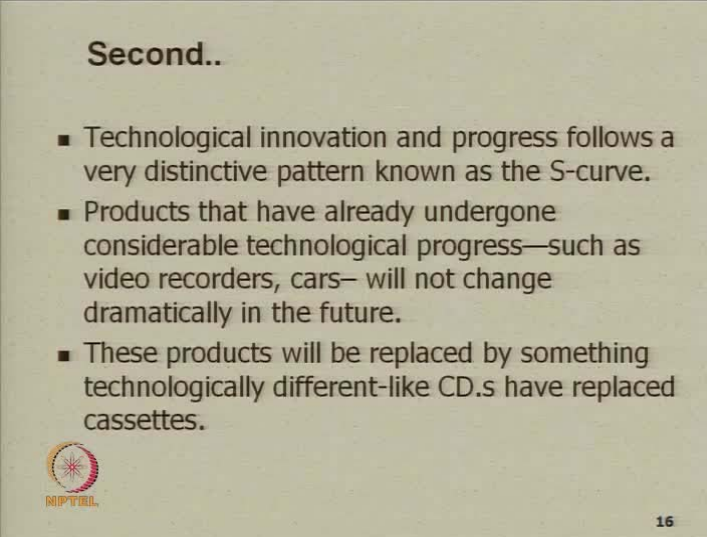
The lifecycle of this kind of learning-teaching process, cannot be more than 10 years on the outside. So, where lie the answers? You alter the universe of the utilization of the technology, like British telecom phased out its equipment and sold them to a country in South America.

You have conveyor belts in airports and like everything else, they keep undergoing innovation and improvement. So, what do you do to the older conveyor belts? You sell them off as secondhand to another country. In other words, the relevance of technology can be created, provided you can understand that there are communities living at different levels of sophistication, different levels of technological maintenance and the whole planet is not at the same level. If you look at the entertainment industry today, the done thing is of course downloading - which may be legal or illegal - but the processes of preventing illegal downloading are not of the best varieties of people get away with a lot. What do you think it does to the industry? And if you are in the entertainment industry, what type of losses are you incurring - that is one aspect of the story.

Another aspect of the story is - how many people even listing to this elaboration are capable of downloading a movie? What population in India is - not forget capable - would have the equipment to download a movie? Therefore, technological innovation


can also take place by altering your domain of sales. A point which is not well understood by many manufacturers, because they phase out their equipment even before it has run out its life, because they say the market is saturated; the market is not saturated, what is saturated is your area of operation. So, technological innovation can take various shapes.

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**Second..**

- Technological innovation and progress follows a very distinctive pattern known as the S-curve.
- Products that have already undergone considerable technological progress—such as video recorders, cars— will not change dramatically in the future.
- These products will be replaced by something technologically different-like CD.s have replaced cassettes.

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These products will be replaced by something technologically different like CDs have replaced cassettes and indeed CDs will themselves get replaced. Even in learning, teaching and instructional methodology, it is getting progressively difficult to get hold of a 35 mm slide projector; they do not keep them anymore. In fact, there is a constant pressure by the manufacturer to phase them out, so that their newer products can get more profits, **unless** there is something terribly wrong with that.

You create artificial scarcity to create a market of your own; this is happening all the time in the IT industry. This software has been upgraded, because you have to fill the power that upgrade, so you get that software and then say – ah! now your hardware has to change. So, you get the hardware and by the time you get your money for the hardware, they are further upgraded the software; so they said now to use the capacity of your hardware, you should also upgrade your software and then you will have best performance. Very nice, now, I will have the best performance capable of comparing anywhere. Eternally, you are upgrading this to upgrade this, you upgrade that to upgrade

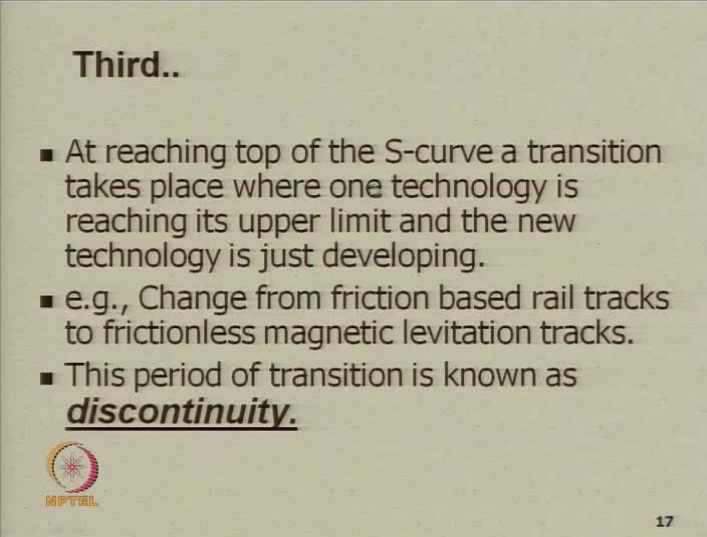


this, to use this upgradation you upgrade that; eternally what are you doing? You are lining his profits; they do that in the mobile industry. You take a handset and he says [FL] sir [FL] phase out [FL] phase out [FL] phased-out totally; what do I do? Sir, you would not get the battery. Long live Bombay! You go to the Princess street and you get your mobile from there happily, because the great thing about the Indian market is whatever you cannot do through one channel, you get it done through another channel.

Now, the trouble is that this makes it necessary for a parallel channel to grow. Now, somebody needs to ask, is it legally right? And if it is not legally right, what is the choice law is providing for people who cannot change their handset every 2 years; important questions of jurisprudence. And if it is not possible to buy a new handset every 2 years and you have to go through channels which the parent company does not recognize to put it mildly; what is the safety of the battery you would get for that mobile? In other words, what is the trade of between the regulatory system and the actual operation of the market forces? An important question which needs to be understood. And as students of management, these questions have to be posed to you, because the really mime, the real world of conflict between the regulatory system and the operational system. And to make sense out of the regulatory system, it must make sense proactively to the operational system. And please notice my emphasis, it must make sense proactively.


And to make sense proactively, the moment you bring in a regulation, you must have a way of pilot testing it to know in how many ways it can be circumvented and what you do to make that regulation actually enforceable; because the easiest thing is to bring a regulation. Now, if the regulation is going to be observed in its violation, that I might say it is not regulation at all, besides it corrodes the influence of the civil society. So, there is a quasi-legal aspect of all these changes, which have to be understood and to which the regulatory system has to respond.

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**Third..**

- At reaching top of the S-curve a transition takes place where one technology is reaching its upper limit and the new technology is just developing.
- e.g., Change from friction based rail tracks to frictionless magnetic levitation tracks.
- This period of transition is known as **discontinuity**.

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Third, at reaching the top of the S-curve, a transition takes place where one technology is reaching its upper limit and the new technology is just developing, be that as is may; it may change from friction based rail tracks to frictionless magnetic levitation tracks is an important example. I am giving you examples of the corporate environment from different segments, so that you do not believe that issues of technological innovation are a **preserve** of certain types of products, no; these are universally required.

In fact, interestingly, there also required in the service sector. Can you think of a service sector which does not use technology? In fact, it is my view that there will be a 70-30 relationship on a graduated scale of **whether it is**, whether it is a service sector or it is product based. Even transportation sectors like railways are highly dependent on technology; take over just one technology which is the railways use - signaling. The kind of innovation and technological developments which have been taken place is signaling are so central, that they are the once which are actually determining the quality of accidents or the number of accidents will actually take place.

It is possible to link up signaling system with the track jamming system and your parameters go up. This period of transition is known as a period of discontinuity. So all that I am saying is to understand these labels, you must understand the character of these labels; you must understand the distinguishing features and you must understand how it actually operates. So, let us get to some more of the techniques I like to explain to you.

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**How to use the tool:**

PEST is a simple mnemonic standing for Political, Economic, Socio-Cultural and Technological.

**P**olitical Factors

**E**conomic Factors

**S**ociocultural Factors

**T**echnological Factors

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PEST analysis: what is PEST? PEST is a simple mnemonic standing for political, economic, socio-cultural and technological factors. When you look at the political factors, you look at the economic factors. If you look at the socio-cultural factors, if you look at the technological factors, you have got a PEST analysis.

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**What is PEST Analysis?**

PEST analysis is very important tool through which an organization considers its environment and influences there of particularly in past, the extent to which the changes occurring are significant for future. The organization is made up of following key environments:

1. The internal environment e.g. staff (or internal customers), office technology, wages and finance, etc.
2. The micro-environment e.g. our external customers, agents and distributors, suppliers, our competitors, etc.
3. The macro-environment e.g. Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces. These are known as PEST factors

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PEST analysis is a very important tool through which an organization considers its environment and influences there of particularly in past, the extent to which the changes occurring are significant for the future and this is a very important sentence - influences

of the past and the extent to which the changes are significant for the future - this is the value of the present; this is the world that is yours. When you can understand the environment and influences of the past which has shaped the present and you can understand what you can do today to create a future.

I will give you a very simple example, which will make it easier for you to appreciate this kind of tense analysis - past tense, present tense, future tense, I call it that tense analysis. Your eat habits of childhood and youth will be one of the critical determinants of your health in adulthood and old age. That is how the past comes back to live. If you had a youth, where you say - I would not eat this [subji], I would not eat that, this does not taste nice and that tastes good; by all means it is your freedom of choice; be ready to pay the price, because your body at its growth stage, needs a whole sum input of all the nutrients you know. I do not like [baingain] and I do not like cabbage; the moment you give me cabbage, I get put off, you know very stylized, it can put on the fashion TV; oh! you get put off; but the fact of the matter is, that has ingredients which your body needs. So, you grew up between 16 and 19 avoiding all cabbages, so when you grew up to be not so attractive in 46, you discovered it was aching here, it was shaking there and doddering there. No cabbages for me! Very stylized - that is how the past comes to live in; that is what you do, visits you.

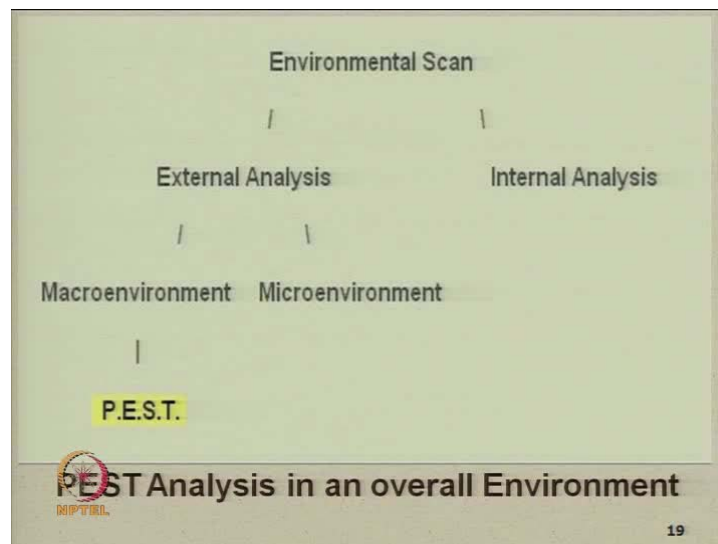
Talking of smoking and alcohol is a passe today. These are trait examples - you can print whatever you want on a cigarette box. Tobacco is one of those eternal traits which have always been there. You do not have to smoke it; you can chew it. You do not have to chew it; you have to mix it with something else; the trade will go on. Will they impact of that habit? It is more important today to get focused on what everyday habits do to your future. You neglect your time of eating while you are chasing your career from 21 to 31; by that time you are 51, one-third of your intestine would have gone. Medically this is established, because the intestine starts secreting at the time where it has been given to have food; a food is not there, the secretions take place all the same and then it destroys the inner lining of the intestine. And you do that to the intestine for 10 years to 12 years, by the time you are visited by age that portion of your intestine, it simply will have to be chopped off.

We are not here to look at the medical aspect of it, but it is important to help you to understand how nature itself extrapolates the past. Therefore, as I said do not be glib to

say - I do not believe in the past; do not believe in the past; your belief alters nothing; the past is living in you. Similarly, remember, what you do today is really what will prepare you for the future.

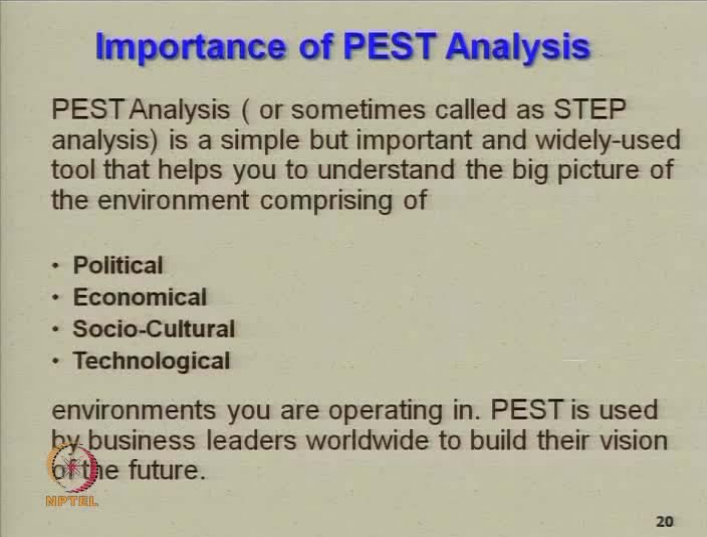
The organization is made up of the following key environments: the internal environments - that is staff often it is called internal customer, office technology, wages and finance. The micro-environment: for example, our external customers, agents and distributors, suppliers, our competitors. So, there is a internal environment; there is the micro-environment and there is a macro-environment. The macro-environment: political and legal forces, economic forces, socio-cultural forces, technological forces. These are known as PEST factors.

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So, remember, the environment can be internal, it can be micro, it can be macro. We are talking here about whatever is brought in from outside and whatever is not indigenous to the organization. Therefore, what you do? Environmental scan, external analysis, internal analysis, macro-environment, micro-environment, PEST - is relevant for analysis of the macro-environment. Remember, each technology is a bounded condition; each technique is a bounded condition; it will work in certain environments; it will not work in certain other environments.

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**Importance of PEST Analysis**

PEST Analysis ( or sometimes called as STEP analysis) is a simple but important and widely-used tool that helps you to understand the big picture of the environment comprising of

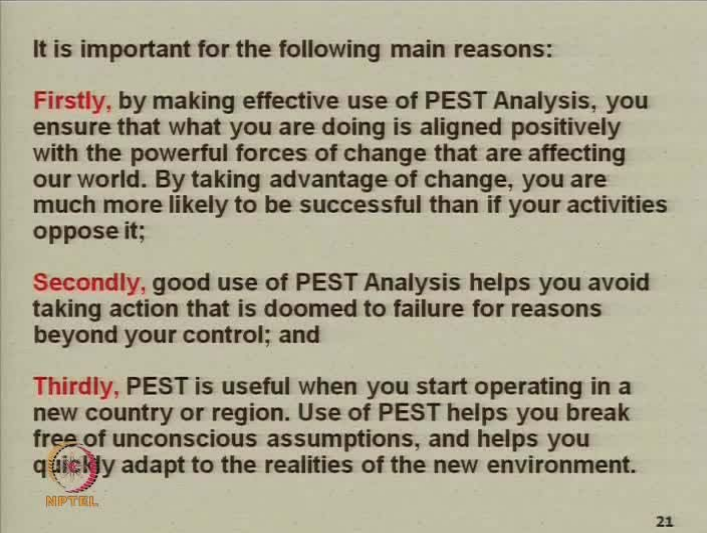
- Political
- Economical
- Socio-Cultural
- Technological

environments you are operating in. PEST is used by business leaders worldwide to build their vision of the future.

NIPTAL 20

Importance of PEST analysis: PEST analysis - are sometimes called as step analysis - is simple but important and widely-used tool that helps you to understand the big picture of the environment comprising of political, economical, socio-cultural, technological environments that you are operating in. These classifications are merely for the convenience of understanding and learning; these are not watertight compartments.

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**It is important for the following main reasons:**

**Firstly**, by making effective use of PEST Analysis, you ensure that what you are doing is aligned positively with the powerful forces of change that are affecting our world. By taking advantage of change, you are much more likely to be successful than if your activities oppose it;

**Secondly**, good use of PEST Analysis helps you avoid taking action that is doomed to failure for reasons beyond your control; and

**Thirdly**, PEST is useful when you start operating in a new country or region. Use of PEST helps you break free of unconscious assumptions, and helps you quickly adapt to the realities of the new environment.

NIPTAL 21

It is important for the following reasons: firstly, by making effective use of PEST analysis or step analysis - if you want to prefer it that way - you ensure that you are

doing it, what you are doing is aligned positively with the powerful forces of change that are affecting our world. So, you have to understand the impact making forces on the environment.

Now, I am making it a little more sophisticated; I am extending it further; the impact making forces on the environment, that is what you have got to analyze. Carbon emission causes global warming; but do not talk of the melting of the glaciers, talk of carbon emission.

Secondly, good use of PEST analysis helps you to avoid taking action that is doomed to failure for reasons beyond your control. In other words, PEST helps you to deal a proper choice of strategy, that is how it becomes relevant. (No audio from 28:40 to 28:55) First, it helps you to understand the factors which impact environment; second, it helps you to avoid taking action that is doomed to failure for reasons beyond your control; what are the reason beyond your control? The environment.


PEST is useful when you start operating in a new country or region. Use of PEST helps you to break free of unconscious assumptions, and helps you to quickly adopt to realities of the new environment; this is important. If you base your decision-making upon an external data, then you will lead to one kind of conclusion with one kind of logic.

If on the other hand, you base your decision making upon your own equipment, your own capacity, your own tools and techniques, then you would be basing that choice on your own assumptions. Your assumptions will always be determined by your own experiences. Therefore, decision making must also be based on external objective data.

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**Using the tool is a three stage process:**

- **Firstly**, you brainstorm the relevant factors that apply to you;
- **Secondly**, you identify the information that applies to these factors; and
- **Thirdly**, you draw conclusions from this information.

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Getting to how to use the tool; the tool has three stage process: first, you brainstorm the relevant factors that apply to you, there by isolating the factors; second, you identify the information that applies to these factors; now, this is a very important statement which I want to be understood clearly - you brainstorm the relevant factors that apply to you and then you identify the information that applies to these factors, which apply to you.

What are you affected by? You may not be affected by something which is happening in **Rohtak**, but you may be affected by something which is happening in your library. So, if you can identify the factors which lead to your understanding of what affects you, then you better understand - what are the factors which affect the factors? What is the information that affects the factors? What are impacting your factors, if you want to understand what factors are impacting you? So, it is a simple logical process.



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**Political Environment :**

- Government type and stability
- Freedom of press, rule of law and levels of bureaucracy and corruption
- Regulation and de-regulation trends
- Social and employment legislation
- Tax policy, and trade and tariff controls
- Environmental and consumer-protection legislation
- Likely changes in the political environment

 24

Thirdly, you can draw your conclusions from this information; that is the information which applies to these factors. Therefore, it is a serious attempt to make it scientific. What is the political environment? And here is a listing; again, as usual, no longer exclusive; it cannot be exhaustive, it is indicative.

Government type and stability: you might ask a question - why did Nano have to withdraw from West Bengal? What is the type of the government? Were the people who are opposing the quantum of compensation to the agriculturists, behaving rationally or were they trying to put the government on a spot? Was government's reaction determined by its own political compulsions? Would it have been different, if a different type of a government was there? Another political party would have been in power? Would they have befallen a fate, which it which be fell it? Above all, I think all of them miscalculated in thinking that the investor will not put in 1500 crores and say, yeah! I wind up.

You see the danger of brinkmanship is somebody may call your bluff. You keep pushing, you keep pushing on the assumption that she will not walk away, but she walks away, then what do you do? And it is vice versa. Please remember all gender illustrations are vice versa. There is no just, you know, push him around, push him around, push him around where will he go? You would not find any one like me; he discovers that nobody

is worth finding. What do you do? So, a proper ability to understand the choices and there was another state, just waiting to lap it up.

So, is government type and stability is not all that unrelated to industrial working, that is the large point I am trying to make. Freedom of press, rule of law, and levels of bureaucracy and corruption - they all determine the functioning of the industry. The press can make it impossible; half the things which happened in the branding of the efficiency of the commonwealth games, would not have happened, if media had not played such a role in it. And mind you, I am saying that without a value judgment; I am merely, analytically telling you, what happened was to a very large extent because of media playing a role. Rule of law: who is it actually sent behind bars? Why is it that there is a growing impression that if you have influence, you can deal with the law. And even if the law catches up with you, you will be a special person. This impression seems to be shared by many people; whether it is right or wrong is another matter, but the damage is already done. The uninitiated mind will grow up thinking - yes, it can happen. This is where perceptions become as important as reality.

Levels of bureaucracy and levels of corruption; now, these are such obvious everyday examples, that I do not want to spend time elaborating upon them, but not to touch upon them would be to make your education and learning incomplete. Corruption is very much an environmental factor. And you cannot do a session on environment without talking about corruption. And it comes in very small degrees; it comes by way of evading regulation; it comes by way of getting a permission; it comes by way of getting a document; it comes in all types of manners of favors and non favors. And everyone starts participating and everyone starts condemning; what is left is a work style.

So, somebody may say, no sir, I am not that way; you may not be that way; yet, the dominant perception again, is that the majority of **the fact** of the stakeholders affected, are willing participants in this; it is a perception. No survey has ever been carried out to discover whether this is right or wrong, because who would be acknowledged as corrupt and give a fill out a questionnaire and promptly they would say we evoke the law. You cannot evoke the law even to the known defaulters and even after evoke the law, the process of litigation outlives the lifespan of the human being. What kind of punishment can you get? If you go to the court of law at the age of 25 and litigation carries on for 60 years, what can happen to you? They pronounce your jail, you are dead anyhow, who

can be sent to jail for you? You know these are complex issues, there can be no over-generalization.

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Regulation and de-regulation trends: they affect the industry. Of course, the powerful industrial magnets know the only way to make their industry flourish is, to get favorable regulations. How do you get favorable regulations? You get favorable regulations by lobbying. How do you lobby? By being politically powerful. How will you politically powerful? By controlling the factors that affect.

Simple mathematical equation almost verges on the profound, but you do not have to put it like a mathematical equation to know how it works, be that as it may be, that as it may not be, I cannot sit on judgment on anything. The truth of the factor is the environment that affects your industry, as I am illustrating how and this comes under political environment.

Social and employment legislation: in India, you return at a certain age, you retire at a certain age; in US, to ask your age is an offense; promptly, you will be accused of discrimination on age in two different environments. Of course, in India people retire at different ages. In some professions, they retire at 58; in some at 60; in some at 62; in some at 65; some retire at 70. God knows how many types of demographic profiles have been discovered here. How come, in some professions you can be working up till 70, and in some professions, you are phased out at 58?

Something needs thought there, demographical, if factors do not change from profession to profession. So, you can be a Vice Chancellor till 70, but you cannot be a teacher till 70. In medicine, you can go up to 70, but otherwise you go up to 65. Somebody should help reason all this out; I am sure there is a very deep reasoning because it is under operation. So, everything which operates must have very deep reasoning and it is not for me to question it; but, pray somebody should explain it to me and not just to me to anyone who is willing to listen.


How come a bureaucratic retires at 62? Why cannot he go up till 65? How was the job of a bureaucrat do different from the job of any other profession? I did not realize that the bureaucrat at the age of 62 has to do such strenuous physical exercise that he cannot do it at the age of 63. What are these subjects? What he is talking about? Whether you agree with them or you do not agree with them; there is a law. The social and employment legislation prevails; you can keep discussing it as long as you want this is the way it is.

Tax policy, and trade of and tariff controls all affect industry. Everyone knows tax policy; in fact, your tax policy is one in which holy cows are spared taxation and the not so holy cows, especially if you are the salaried class, are taxed once, taxed twice, taxed three times, taxed four times, taxed more times, till you know all you are left with is a rump of what you earn.

But at there are professions where you do not need to paid any tax and you get away with it. I am not spilling any trade secrets, any state secrets; everyone knows it is true. Is it not possible to have a political environment with equity? Be that as it may or be it not be as it may tax policy affects industry, that is the only relevant aspect; the rest is the debate and you can go on debating till the cows come home. I am merely presenting to you debates which exist in the domain; I am not offering to you my opinion.


Then, there are trade and tariff controls; then there are environmental and consumer protection legislation. Self-evident - they do not need any elaboration. Likely changes in the political environment, whether it is the left of the center, which dominates that you have one kind of legislation; if it is the right of the center, you have another kind of legislation and in either case you supposed to follow them dutifully.

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**Economic Environment :**

- Stage of business cycle
- Current and project economic growth, inflation and interest rates
- Unemployment and labor supply
- Labor costs
- Levels of disposable income and income distribution
- Impact of globalization
- Likely impact of technological or other change on the economy

 Likely changes in the economic environment

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Then, there is economic environment: stages of the business cycle - certain types of products are more enduring products. For example, a bicycle is an enduring product, but even a bicycle needs R and D - its height, its size of the wheel, the way its chain operates, the size of the seat where is its handle. In other words, stage of the business cycle by itself is never enough; you have to look at its innovation proneness.

Then, there are current and project economic growth, inflation and interest rates affects everyone; affects your capital market is suddenly discover that it is not worth investing anymore, because the rate of inflation mops up all your income of interest. So, if you invested 100 rupees in year x and you receive back 175 rupees in year x plus 7, that 175 goes less distance than what your 100 did in the year x. Then why invest? How do you know? It is the another example, to show to you how current and project economic growth, inflation and interest rates work.

Unemployment and labor supply, they affect industry. Your labor supply determines what are the professions which will staff? What were the professions which will have a glut? There is a part of Europe where no mason is available. So, really speaking, if you want to good carrier become a mason, but nobody wants to become a mason. There is a shortage of bus conductors. Nobody wants to be a bus conductor; if at all, they want to be a bus driver. So, what is the response of the industry? They have combined the job of the bus driver, with the bus conductor as you enter you pay; changes which are caused by

the change in the environment. Labor costs depend on costs. You buy a designer watch; your strap needs attention; they tell you that you will have to **flight** to its manufacturer in country. Why? You discover that your watch was only of 180 dollars, but flying your watch. Therefore, repairs will be 275 dollars.

Go back to the Bombay market; they will fix your watchstrap without violating the law at 50 rupees and they are not violating any law. In other words, labor costs are a factor of the type of economy you are surviving in. It is only when you start seeing management from the prism of textbooks, especially textbooks published outside the environment, in which will be practicing management, that you think only of the structured processes. Believe me, there are many unstructured processes and that is what management education has to learn, to teach its learner and that is what I am trying to do with you.

Levels of disposable incomes and income distribution - it has everything to do with certain types of industry; it is to with the leisure industry. The kind of tourism that is practiced; the kind of travel people undertake; the kind of holidays people have and then you see the emergence of holidays, timesharing; it is a flourishing sector. This routed in type of disposable incomes and income distribution.

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**Socio-Cultural:**

- Population growth rate and age profile
- Population health, education and social mobility, and attitudes to these
- Population employment patterns, job market freedom and attitudes to work
- Press attitudes, public opinion, social attitudes and social taboos
- Lifestyle choices and attitudes to these
- Socio-Cultural changes

MPTVIL

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The impact of globalization - of course, it is everywhere and nowhere; there is so much talk of impact of globalization, that I really do not think it is necessary for me to go elaborating; it the likely impact of technological or other changes on the economy. We

have discussed that in plenty. Finally, likely changes in the economic environment, where you channelize the distribution of money in the directions in which you think, it needs for the larger cause of the growth of the nation. We will stop here and we will come back to discussing the sociocultural factors.