has been unfavourable to the promotion of domestic technological capacities and has discouraged local scientists and technicians from devoting themselves to practical development problems. It creates an attitude of subservient dependence, which may inhibit the capacity to do even relatively minor adaptive research or to adopt processes which are developed locally.

It has also been observed that there is a tendency to transfer outdated technology to the developing countries. Thus, they would not enjoy the advantages of the latest technology and would still technologically lag behind. It is unfortunate that the owners of modem technology view the developing countries as a means to salvage technology that is obsolescent in the advanced countries, even when they possess more advanced technology.

Promotion and Regulation

Despite the problems or shortcomings of foreign technology, it is widely recognised that if properly regulated and promoted it can play a positive role, particularly in the technologically backward LDCs. The governments of India and a number of other countries have, therefore, taken a number of regulatory and promotional measures to take advantage of foreign technology without sacrificing national interests.

Areas of Regulation

A number of regulatory measures have been taken by different countries to ensure that the technology chosen is the best available, appropriate to domestic conditions and that indiscriminate and unnecessary import of foreign technology is not undertaken. The following are the aspects of technology commonly regulated.

The Extent and Terms of Equity Participation: These are generally determined by the priorities of the technology-using industry in the nation's economy, supply conditions of the technology and its type and nature.

Phasing of Domestic Manufacturing: Where foreign technology is employed, many governments, including that of India, insisted upon indigenisation on a phased manner. The government of India in the past also insisted that suitable provisions should be made for the training of Indians in the fields of production and management. Further, there should be adequate arrangements for research and development, engineering design, training of technical personnel and other measures for the absorption, adaptation, and development of the imported technology.

The Appropriateness of the Technology: Permission to import a particular technology is generally based on considerations such as suitability of the technology to the socio-economic and ecological conditions in the country and the priority of the technology using industry in the national economy. According to the guidelines issued by the Government of India, the entrepreneurs should, to the fullest extent possible, explore alternative sources of technology, evaluate them for a techno-economic point of view and furnish reasons for preferring the particular technology and source of import.

Payment Terms and Foreign Exchange Outflow: Most governments take measures to ensure that disproportionately high payments are not paid for any technology. Restrictions were imposed also on dividend payments and pricing.

The Government of India's guidelines clearly laid down that there should be no requirement for the payment of minimum guaranteed royalty, regardless of the quantum and value of production.

24. M. J. Xavier, *Marketing in the New Millennium*, New Delhi: Vikas Publishing House, 1999, pp. 143-44.

25. *Ibid.*, p. 142.

26. *Ibid.*, p. 155.

27. M Blakeney, *Legal Aspects of the Transfer of Technology to Developing Countries*, Cited by Muchlisk, *op. cit.*, p. 426.

28. Cited by Muchlisk, *op. cit.*, p. 426.

29. Sanjaya Lall, Investment, technology and International Competitiveness", in John H. Dunning and K A Hamdani, *The New Globalism and Developing Countries*, Delhi, Bookwell, 1998, p. 235.

30. Adopted from Sanjaya Lall, *Ibid.*, p. 249.

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6 DEMOGRAPHIC ENVIRONMENT

The importance of demographic factors to business is clear from the facts that "management is men" and "market is people."

It is conventionally said that Management is Men, Material, Machinery and Money. Even if all the other Ms are excellent, it would not be of use unless the Men is the right one (in terms of quality, potential, motivation & commitment etc.)

Market is people in the sense that the demand depends on the people and their characteristics – the number, income levels, tastes and preferences, beliefs, attitudes and sentiments and a host of other demographic factors. No wonder, *demography* is an important basis of market segmentation.

Important demographic bases of market segmentation include the following.

- Age structure
- Gender
- Income distribution
- Family size
- Family life cycle (For example: Young, single: young, married, no children; young married with children ....)
- Occupation
- Education
- Social class
- Religion
- Race
- Nationality

The demographic environment differs from country to country and from place to place within the same country or region. Further it may change significantly over time. Peter Drucker, who emphasises the tremendous economic and business implications of demographic changes, suggests that any strategy, that is any commitment of present resources to the future expectations, has to start out with demographics.[1]

Demographic factors such as size of the population, population growth rates, age composition, ethnic composition, density of population, rural-urban distribution, family size, nature of the family, income levels etc. have very significant implications for business.

When the population is very large, even if the country is generally poor, there could be a sizeable market even for those goods and services which are regarded luxuries in these countries. *For example,* if just five per cent of the Indian population is well to do, the absolute number (more than 50 million) is larger than the total population of many of the high income economies.

TABLE 6.1 : SOME DEMOGRAPHIC TRENDS

Country group	Total population (crores)		Annual population growth rate (%)		Urban population (as % of total)		Population aged 65 and above (as % of total)	
	1998	2015	1975 to 1998	1998 to 2015	1998	2015	1998	2015
World								
Developing Countries								
Least Developed Countries								
High income economies								
Medium income economies								
India								

Source : UNDP, *Human Development Report 2000*

High population growth rate also implies an enormous increase in the labour supply. When the Western countries experienced industrial revolution, the population growth was comparatively slow. Labour shortage and rising wages encouraged the growth of labour intensive methods of production. Capital intensive technologies, automation, and even rationalisation, are opposed by labour, and many sociologists, politicians and economists in developing countries. Cheap labour and a growing market have encouraged many multinationals to invest in developing countries. Many companies in the developed countries have relocated their production facilities, wholly or partially, in the developing countries to reduce the labour costs.

The problems of developing countries due to the population explosion also indicate the enormous scope for several industries. A very significant share of the Indian population is below the poverty line. Although these people, who do not have sufficient income even to meet the bare minimum basic necessities of life, do not come within the market for a large variety of goods and services, the existence of such a large size of poor population has a lot of other implications. To solve the basic

problems, the additional number of children to be educated, the additional number of people to be provided with medical care, water supply etc. during one Five Year Plan in India are more than what most nations have done over centuries. While it is a formidable national challenge, it also indicates enormous business opportunities.

The occupational and spatial mobilities of population too have implications for business. If labour is very mobile between regions and occupations, labour problems are likely to be less than would otherwise be the case.

If the labour is highly heterogeneous in respect of language, religion and caste, ethnicity etc., personnel management is likely to become a more complex task. A highly heterogeneous population with its varied tastes, preferences, beliefs temperaments etc. give rise to differing demand patterns and calls for differing marketing strategies.

The falling birth rate and rising longevity will significantly alter the age distribution within the population. The proportion of aged in the total population will go up. *For example,* of those 20-odd million Italians by the year 2080, a very small number will be under fifteen, and a very large number— at least one-third of the population—well above sixty. In Japan the disproportion between younger people and people above any traditional retirement age will be equally great if not greater. In the United States, the young population is already growing much more slowly than the older population, past traditional retirement. Still, up to the year 2015 or so, the number of young people will still be growing in absolute numbers in the United States. But then it is likely to go down and quite rapidly. The share of old in the total population will increase in the future in almost every nation.[4] See the Table entitled *Some Demographic Trends.*

The changes in the age distribution have a lot of implications for business. Several pharmaceutical companies, for instance, are paying a lot attention to the potential requirements of the aged population.

The increasing proportion of the aged would have implications for the Government. It may increase the welfare burden of the governments.

According to Drucker, the collapsing birth rates will have the following implications.[5]

1. For the next twenty or thirty years demographics will dominate the politics of all developed countries. And they will inevitably be politics *of great turbulence.* Important issues include the retirement age and immigration.

2. For the next twenty or thirty years no developed country is likely, therefore, to have stable politics or a strong government. Government instability is going to be the norm.

3. "Retirement" may come to mean two different things. It is quite likely that the trend toward "early retirement" will continue. But it will no longer mean that a person stops working. It will come to mean that a person stops working full-time or as an employee for an organization for the entire year rather than a few months at a time. Employment relations—traditionally among the most rigid and most uniform relationships—are likely to become increasingly heterogeneous and increasingly flexible, at least for older people. This will increasingly be the case as the center of gravity in the older population shifts from manual workers to people who have never worked with their hands, and especially to knowledge workers— a shift that will begin in the United States around the year 2010 when the babies of the "baby boom" which began in 1948 reach traditional retirement age.

in the world with a total population larger than the population that India added to itself during 1991 – 2001. The total population of a large number of countries is smaller than the annual addition to the Indian population.

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3. *Ibid.*, pp. 49-50.

4. *Ibid.*, pp. 44-45.

5. *Ibid.*, pp. 46-49.

6. *Ibid.*, pp. 47.

7. The data regarding the immigration in USA quoted here are from "Oh, Say, Can You See", *The Economist*, March 11, 2000.

8. Philip Kotler, *Marketing Management*, New Delhi, Prentice Hall of India, 2000, p. 142.

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BUSINESS AND SOCIETY

Business is an integral part of the social system. The social system influences business which, in turn, is affected by the business.

Social factors are among the most important factors which affect business. The type of products to be manufactured and marketed, the marketing strategies to be employed, the way the business should be organised and governed, the values and norms it should adhere to etc. are all influenced by the social structure and the culture of a society. Many aspects of the social /cultural environment are not very obvious. Ignorance/neglect of certain dimensions of the societal environment may create tremendous problems.

The first chapter of this *Part* provides a brief description of a number of societal factors important to business. The next chapter deals with the social responsibilities expected of business and social audit of business. This is followed by a short account of a social environment of increasing relevance to business, *viz.*, consumer rights and consumerism. Lastly, this *Part* takes a look at a very important social concern, *viz.*, corporate governance.

mission and having a broad influence on the way people live and work together"[1] As Calkins remarks: "It is now recognised that the direction of business is important to the public welfare, that businessmen perform a social function."[2]

Thus, "viewed in a broad way, the term business typically refers to the development and processing of economic values in society. Normally, we use the term to apply to the private (non-government) portion of the economy whose primary purpose is to provide goods and services to customers at a price, but the lines of distinction are getting hazy as business and government overlap their functions in organisations such as the Communications, Satellite Corporation and the Tennessee Valley Authority. In addition, business is a term applied to economic and commercial activities of institutions having other purposes, such as the business office of an opera association."[3] Thus, organisations which do not aim of making a profit, like the Delhi Development Authority, charitable hospitals, or other institutions, public relations organisations, government departments, etc., invest capital, price and market their products, services or ideas, manage their human resources, and so on.

The modern concept of business is, thus, a very broad one. Business is viewed as a subsystem of the total social system. According to Davis and Blomstorm, "our modern view of society is an ecological one. Ecology is concerned with the mutual relations of human populations or systems with their environment. It is necessary to take this broad view because the influence and involvement of business are extensive. Business cannot isolate itself from the rest of society. Today the whole society is a business's environment."[4]

Davis and Blomstorm point out that, in taking an ecological view of business in a systems relationship with society, three ideas are significant in addition to the systems idea. The three ideas are values, viability and public visibility.[5]

Values

Business, like other social institutions, develops certain belief systems and values for which they stand, and these beliefs, and values are a source of institutional drive. These values derive from a multitude of sources, such as the mission of business as a social institution, the nation in which a business is located, the type of industry in which it is active and the nature of its employees. These values become guides for employees' decisions in the interface of business. Second, they become strong motivators for people in a business.

Viability

Davis and Blomstorm define viability as the drive to live and grow, to accomplish the potential not yet reached, and to achieve all that a living system is capable of becoming. If a business is to be a viable, vigorous institution in society. It must initiate its share of forces in its own environment, rather than merely adjust to outside forces as a bucket of quicksand does. Every business needs a drive and spirit all its own to make it a positive actor on the social stage rather than a reactor or a reflector. To expect the business to be otherwise is to deny it the opportunities available to other institutions, the authors have pointed out.

Public Visibility

The term public visibility refers to the extent that an organisation's activities are know to persons outside the organisation. Public visibility is different from the idea of a public image. The term public image refers to what people think about an organisation's acts, while public visibility refers to the extent to which its acts are known. The importance of public visibility is that it subjects

business activities to public examination, discussion and judgement. If acts are not known, they cannot be judged.

In short, according to modern thinking, business is an integral part of the social system. It is a social organ to help accomplish the social goals. Its activities and attitudes are, therefore, subject judgement, which may have far-reaching implications. A business enterprise shall make profit only by accomplishing the socially accepted goals and by satisfying society.

Objectives and Importance of Business

For quite a long time, it was held that the sole objective of business was maximisation of profit. But this is no longer a universally valid business objective. The memoranda of Association of Companies rarely state that profit maximisation is the primary objective.

Top executives of a large number of large companies and many economists today argue that profit is not the primary objective of a firm. Large companies, particularly, may strive to maintain or gain leadership in market share, sales volume, fixed assets, employment, etc., even sacrificing profit maximisation. According to William J. Boumal, the objective of a firm is not profit maximisation but sales maximisation, subject to a minimum profit constraint.

Even major shareholders, in many an instance, get greater satisfaction if their company has a dominant position rather than the objective of maximising profit. Most large firms are run by salaried managers who might not be interested in profit maximisation as much as the owners.

Now, it has also been recognised that some firms may limit profits rather than strive to maximise profits in the short run to discourage potential competition, to avoid public criticism and government intervention, to restrain higher monetary demands by labour, to maintain customer goodwill, and so on.

The general outlook of large business corporations has undergone a change. As a result of the recognition of the social responsibility, business objectives have transcended the profit objective.

Economic Objectives: Some of the social and economic objectives are so intertwined that it is difficult to separate them and it may be more appropriate to describe them as socio-economic objectives. However, the following may be regarded as the important economic objectives of business.

1. *Survival:* "The primary business of the every business is to stay in business" is an often-quoted statement. The growing magnitude of industrial sickness is a clear indication of the need for primary thrust on this objective. Constant monitoring of the business environment and strategic planning are needed for survival in a competitive environment. A business cannot, obviously, achieve its objectives unless it survives and hence survival is a basic objective necessary to achieve other objectives.

2. *Return on Investment:* A return on investment is, undoubtedly, an important economic objective not only for private enterprises but also for many public sector enterprises. Private business is often profit motivated. However, the level of profit a private enterprise aims at is likely to be influenced by its social outlook and a number of environmental factors like government policy, attitude of society, competitive and other conditions of the industry etc.

3. *Growth:* Growth over time is also an economic objective of most of the business enterprises. A business may grow either vertically, horizontally or by diversification into unrelated

life before he can be free to pursue the life objects he has set before him...so profits are necessary to business and are in the proper sense of the work primary.[10] In short, a reasonable level of profit is necessary to enable a company to pursue the social objectives.

2. In several cases it is possible to increase profits without hindering the social objectives. *For example,* an increase in productivity could increase profits without causing any increase in price. Not only that, substantial productivity gains could benefit the shareholders (by increased dividends) consumers (by reduced prices) and workers (by increased remuneration) if such productivity gains are shared between capital, labour and consumers.

3. Satisfactory level of wages and expenditure on labour welfare could contribute to the economic health of the enterprise if they help to increase labour productivity and improve industrial relations. It is appropriate to note the observation of the Social Audit Committee which conducted the social audit of TISCO that, "not only should the company carry out its various obligations to the employees as well as the larger community as a matter of principle but this has also led to a higher degree of efficiency in TISCO Works and an unparalleled performance in industrial peace and considerable team spirit and discipline which have all resulted in high productivity and utilisation of capacity. The cooperation and response of the larger community have also contributed to this. It is possible to argue that, but for such a climate of cooperation from all segments, and the maintenance of certain norms and standards by the company, it would not have been possible to maintain the reasonable rates of return on investment in the face of various constraints faced by the company. It is necessary that shareholders realise this and extend their full cooperation to the company's programmes of welfare and development and that they do so ungrudgingly."

The points mentioned above indicate that although several of the objectives may outwardly appear to be conflicting, they could be mutually supporting in several cases if properly envisioned and managed.

Primary and Secondary Objectives

Some companies establish two seas of objectives, viz., primary and secondary objectives. In many such cases, the secondary objectives resemble what are generally described as the social responsibilities of business.

George Goyder in his well-known book *The Future of Private Enterprise: A Study in Responsibility*[11] set out the ultimate objects in the following four principal objects of a responsible company.

1. The extension, development and improvement of the company's business and the building up of its financial independence.
2. The payment of fair and regular dividends to the shareholders.
3. The payment of fair wages under the best possible conditions to the workers.
4. The reduction of prices to consumers.

Referring to the Articles of the Carl Zeiss Foundations, Goyder points out four secondary objectives of the company:

1. to provide a bonus for the workers;
2. to assist in promoting the amenities of the locality (without thereby attempting to dominate it);
3. to assist in developing the industry of which the firm is a member;

4. to promote education, research and development in the techniques of the industry or any other purpose approved by the directors and members in general meeting.

Short-run and Long-run Objectives

A company may have short-run and long-run objectives..

The short-run objectives may be a means to achieve long-run objectives. *For example,* the short-run objective of market penetration may be a strategy to help achieve the long-run objective of market dominance or profit. For instance, a key characteristic of the Japanese companies' strategy of entering the foreign markets is to build up market share rather than early profits. The Japanese are patient capitalists who are willing to wait even a decade before realising their profits.

We have seen above the primary and secondary objectives of one organisation. A company will normally pursue the secondary objectives listed therein as long-term objectives. This shall not be interpreted to mean that long-run objectives are secondary objectives. Some of the long-run objectives, like profit, are essentially primary objectives of several companies.

However, some of the long-run objectives of several companies, like development of the local community, assisting the development of the industry of which it is a part, serving the society etc. are secondary objectives..

There is a growing recognition that the business should pay due attention to the long-term welfare of society. The marketing concept, which has gained tremendous popularity, indicates that the key to satisfying organisational goals is customer satisfaction. The societal marketing concept, which has been gaining popularity over the marketing concept, however, calls for generating customer satisfaction and long-run consumer welfare as the key to attaining a long-run profitable volume. As Philip Kotler points out, "the addition of long-run customer welfare asks the businessman to include social and ecological considerations in his product and marketing planning. He is asked to do it not only to meet his social responsibilities but also because failure to do this may hurt his long-run interests."[12]

Modern thinking, thus, expects the business to take on to itself the responsibility for serving or safeguarding societal interests as one of its important objectives.

It should not be inferred from what has been stated in the preceding paragraphs that modern thinking is against the idea of a business making a profit. It is, indeed, essential that the company makes profits to achieve the various objectives stated above. But the objective of profit maximisation without regard to the societal aspects, including the interest of the employees, consumers and society, is no longer valid.

The various objectives of the business stated above indicate the profound importance of business in a modern society. As large amounts of resources are concentrated in the business sector, it should be expected to play a leading role in enhancing the material and social welfare of a nation. Business can significantly assist the development of backward areas, agriculture, export sector, etc, and can make a significant contribution to community development and social welfare.

The enormous resources at the disposal of large business corporations enable them to carry out extensive research and development. Because of their resources position, they should be expected to make a significant contribution to research and development, and undertake many challenging task.

In short, as one of the leading Indian industrialists aptly observes, businessmen, being leading eminent and senior citizens who are also materially better placed, are expected to be pace-setters. They can provide the dynamism which can transform the country economically and socially. Their role is more than that of a mere manager or salesman.[13]

BUSINESS ETHICS

The term business ethics refers to the system of moral principles and rules of conduct applied to business.

That there should be business ethics means that the business should be conducted according to certain self-recognised moral standards. Business, being a social organ, shall not conduct itself in a way detrimental to the interests of society and the business sector itself.

A profession is bound by certain ethical principles and rules of conduct which reflect its responsibility, authority and dignity. The professionalisation of business management should, therefore, be reflected in the increasing acceptance of business ethics.

There is, however, no unanimity of opinion on what constitutes business ethics. In this connection, Peter Drucker very appropriately remarks: "There neither is a separate ethics of business, not is one needed."[1] For "men and women do not acquire exemption from ordinary rules of personal behaviour because of their work or job. Nor, however, do they cease to be human beings when appointed vice-president, city manager, or college dean. And there have always been a number of people who cheat, steal, lie, bribe or take bribes. The problem is one of moral values and moral education of the individual, of the family, of the school".[18]

One is inclined to agree with Drucker that every individual and organ in society should abide by certain moral codes, and that there is no separate ethics of business.

However, certain norms and principles of conduct have been commonly advocated as constituting business ethics.

In the 1930s, Rotary International developed its Code of Ethics that is still used extensively. It uses four questions that are called the four way ethical behaviour for any ethical issue a business faces.

- Is it the truth?
- Is it fair to all concerned?
- Will it build goodwill and better friendship?
- Will it be beneficial to all concerned?

The most important professional ethics is expressed by the Hippocratic oath of the Greek physician : *Primum non nocere* ("not knowingly do harm"). This dictum implies that a professional should carefully evaluate his decision and ensure that his actions will not produce negative effects. Thus, this code rules out all anti-social business practices.

The code, primum non nocere, encompasses most business ethics. We may, however, list the important ethical principles that a business should follow:

1. Do not deceive or cheat customers by selling sub-standard or defective products, by under-measurement or by any other means.
2. Do not resort to hoarding, blackmarketing or profiteering
3. Do not destroy or distort competition.
4. Ensure sincerity and accuracy in advertising, labelling and packaging.
5. Do not tarnish the image of competitors by unfair practices.
6. Make accurate business records available to all authorised persons.
7. Pay taxes and discharge other obligations promptly.

8. Do not form cartel agreements, even informal, to control production, price, etc., to the common detriment.

9. Refrain from secret kickbacks or payoffs to customers, suppliers, administrators, politicians, etc.

10. Ensure payment of fair wages to and fair treatment of employees.

Role of Trade Associations

Trade associations, which are voluntary organisations of businessmen formed to promote their common interests, can play an important role to promote business ethics.

Trade associations can promote business ethics in three important ways:

Education and Persuasion: Trade associations can promote business ethics by educating the members about the importance of, and the need for, having business ethics, and persuading them to give due regard to ethical principles in the conduct of their business. The members should understand that if every businessman follows business ethics, everyone of them would be benefited and there would be an improvement in the general image of the business community in the eyes of the public.

Code of Ethics: Trade associations can formulate a Code of Conduct for their members. Such a code of conduct should also contain the code of ethics. The code of conduct will not only guide but also regulate the conduct of business by the members.

Moral Sanctions: 'Sanctions' refer to the ways in which moral conduct is rewarded or misconduct is punished. Such incentives and punishments should be expected to promote business ethics. A trade association may even debar a member for a serious violation of the code of conduct. Fear of such punishment might prompt members to refrain from unfair business practices. On the other hand, public recognition and reward for high, moral standards in business might give a positive inducement to them to practice business ethics.

BUSINESS AND CULTURE

Culture, which is a very intriguing and complex factor is, often, a very critical component of business environment. Proper understanding of the cultural dimensions is very important for product development, promotion, business negotiations, human resource management, management of the social and political environment etc. An important problem is that several dimensions of culture are not easily explicit. A company which sets out to do business in unfamiliar cultural environment may, therefore, encounter several problems if proper home work is not done. Many multinational businessmen agree that "cultural differences are the most significant and troublesome variables encountered by the multinational company. The failure of managers to comprehend fully these disparities has led to most international business blunders."[19]

Meaning of Culture

There are varying definitions of culture: "Culture, in its broadest definition, refers to that part of the total repertoire of human action (and its product) which is socially, as opposed to genetically, transmitted". A very popular definition is that of E.B. Tylor: "Culture of civilization is that complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities and habits

acquired by man as a member of society". Kluckhohn has defined culture very simply as "the total life way of a people" As Geert Hofstede, a noted Dutch writer and academic has nicely put it, culture is the *software of the mind*—the social programming that runs the way we think, act and perceive ourselves and others. In other words, your brain is simply the hardware that runs the cultural programming. The implication is that culture is not innate. It is learned behavior and hence can be changed.[20]

On the basis of the various definitions of culture, Francis Merill formulates the concept of culture as follows."[21] Culture:

* is the characteristically human product of social interaction;
* provides socially acceptable patterns for meeting biological and social needs;
* is cumulative, for it is handed down from generation to generation in a given society;
* is meaningful to human beings because of its symbolic quality;
* is learned by each person in the course of his development in a particular society;
* is, therefore, a basic determinant of personality; and
* depends for its existence upon the continued functioning of society but is independent of any individual or group.

Culture consists of both *material* culture and *non-material* culture. Material culture involves man-made things (*e.g.,* automobile, television, telephone, etc.) and man-made alternations in the environment. Non-material culture includes such factors as language, ideals, beliefs, values, music, etc.   •

Elements of Culture

Culture, the sum total of societal behaviour, includes at least three elements, namely, knowledge and beliefs, ideals and preferences.

Knowledge and Beliefs: The knowledge and beliefs refer to a people's prevailing notions of reality. They include myths and metaphysical beliefs as well as scientific realities. As Rose remarks, "one of the features of culture in general that is of special sociological interest is the shared quality of a belief system. People who share a given culture tend to take a hostile attitude towards those within their midst who cannot, or will not, accept conventional definitions of fact"[22]

Ideals: Ideals refer to the societal norms which define what is expected, customary, right or proper in a given situation. Norms are enforced by sanctions, *i.e.,* by rewarding the right behaviour and punishing the wrong behaviour.

Folkways and mores are important aspects of every culture. Folkways are norms of proper behaviour (like the proper way to greet a friend) that are informally enforced. But mores are norms of obligatory behaviour considered vital to the welfare of the group.

Preferences: Preferences refer to society's definitions of those things in life which are attractive or unattractive as objects of desire. Preferences may differ between cultures. Interestingly enough, the judgments of the ideal or the proper do not always correspond to our judgments of the pleasant or enjoyable. An example in point is the temptations (not proper but desirable). "All the things I really like to do are immoral, illegal, or fattening," said Alexander Woollcott:[23]

"A culture tends to provide the standards of tastes in specific lines of human activity. Taste in the most liberal sense varies greatly with the food consumption preferences of different cultures.

But there is also taste in clothing, housing sexual practices, and in an endless variety of possessions and activities. What is tasteful in one culture may be highly distasteful in another."[24]

Cultural characteristics are very important in the formulation of pragmatic business strategies. The cost of ignoring customs, traditions, taboos, tastes and preferences, etc, can be very high. *For example,* in Italy, a US company that set up a corn-processing plant found that its marketing efforts failed because Italians thought of corn as "pig food". The Nestle company brews a variety of instant coffee to satisfy different national tastes.

Organisation of Culture

The term organisation of culture refers to the social structure and the integration of traits, complexes and patterns that make up the cultural system.

That cultures are organised or integrated "does not mean that every single item of each culture is neatly and precisely integrated with everything else. It means rather that it is normal for the parts to be somewhat organised, and that culture traits receive their significance and meaning out of their relation to the rest of the culture." [25]

The social structure – "the web of organised relationships among individuals and groups that defines their mutual rights and liabilities" – together with traits, complexes and patterns, reflects the organisation of a culture.

Stratification, *i.e.,* differentiation based on criteria such as age, sex, caste, occupation, education, income and so on, is an important aspect of the social structure and cultural organisation. Each stratum is assigned or supposed/expected to have a certain rank or position, role, or limitations etc., in the societal set-up. It is important to recognise such roles and ranks for effective negotiation, promotion etc.

The organisation of a culture is determined to a large extent by major social institutions. According to MacIver and Page, institutions are established forms or conditions of procedure characteristic of group activity. The group which performs these standardised actions has been termed by them an association. According to Biesanz and Biesanz, "institutions are clusters of norms organised and established for the pursuit of some need or activity of a social group, supported by the group's knowledge, beliefs and values, as well as by the meaningful aspects of material culture".

The important common institutions of modern cultures are the economic system, the political administrative system, the educational system; religion, family, expressionistic, aesthetic and recreational institutions, etc. Such institutions have been established to meet society's common needs of a biological, sociological, psychological, economic, and political nature – the type and nature of institutions reflect the common goals, aspirations and the ways of achieving them, definition and regulation of roles, positions, inter-relationships, etc., of the individuals and sub-groups and groups and the overall organisation of the culture.

Culture traits, complexes and patterns also help us to understand the organisation of a culture. A trait is a unit of observation. It may be a unit of normative behaviour, like shaking hands or saying *namaste*; or it may be an articraft, like a culture object such as a wooden bowl. As Lumby observes, "a culture trait is the simplest acquired material or activity pattern known; and these traits are the bricks, so to speak, of which the whole culture of the society is constructed". Most traits are related to others and fit into larger meaningful wholes called trait complexes. *For example,* the various traits involved in greeting and receiving a guest form a trait complex. A complex, thus, is a system of interrelated traits that function together as a unit and a number of complexes, in turn

come together to form a culture pattern. A culture pattern "is a specific and enduring system of trait complexes". The organisation of culture may, thus, be looked upon from the point of view a meaningful integration of different traits into interrelated complexes and complexes in turn into patterns. The term culture pattern is sometimes used to designate the overall organisation of the culture; but sometimes it is used to refer to the major segments of the culture, like the religious pattern of a particular ethnic group.

BOX 7.2 : CULTURAL ENVIRONMENT AND TECHNOLOGY

Perhaps it is because of our need for the means of survival that Japanese science tends to concentrate more on the applied than on the theoretical. We have taken many basic ideas and turned them into practical objects, in many cases products not even thought of by the originators of the basic technology. This is inevitable, of course.

We Japanese have always been eager to develop our own technology, absorb aspects of technology from abroad and blend them to make suitable objects or systems.

The attitude in America is much more easygoing as far as raw materials are concerned than in Japan. America has so much of everything—oil, coal, copper, gold, uranium, timber—that even today Americans do not seem to take conservation seriously. I am reminded of the American expression, "There's plenty more where that came from." We (Japanese) have no such expression. Our people also seem naturally more concerned about precision. It may have something to do with the meticulousness with which we must learn to write the complicated characters of our language. But for whatever reason, when we tell one of our Japanese employees that the measurement of a certain part must be within a tolerance of plus or minus five, for example, he will automatically strive to get that part as close to zero tolerance as possible. When we started our plant in the United States, we found that workers would follow instructions perfectly. But if we said make it between plus or minus five, we would get it somewhere near plus or minus five all right, but rarely as close to zero as the Japanese workers did. We discussed what to do about this, and in no time had the answer. For the U.S. specifications, we just set the tolerance at plus or minus two, and in that range the American workers consistently gave us what we needed. If we have the need and demand zero tolerance from the American workers, we can get it. If we specify it, I do not for a moment discredit the foreign worker. Sometimes you have to use a different approach where people are accustomed to different approaches.

Courtesy : Akio Morita, *Made in Japan*, (New York, New American Library, 1986)

The culture traits, complexes and patterns differ from community to community. This indicates some of the complexities involved in multicultural business.

Cultural Adaptation

The term cultural adaptation refers to the manner in which a social system or an individual fits into the physical or social environment. The social system may be a small group, such as the family or a larger collectivity, such as an organisation, or even a total society, like a tribal society.

Adaptation is essential for survival. The type of clothing, food and dwelling, suitable for the climatic and weather conditions, are forms of adaptations. Culture adaptation can be viewed in a very wide context. We have adapted to the energy crisis caused by the oil price hikes by modifying our energy policy and intensifying oil exploration, developing, alternative source of energy and restricting oil consumption. Humanity adapts to contagious diseases by immunisation.

Adaptation is relevant at the individual level as well. An individual who joins or accepts a new religion has to adapt himself to the beliefs and ways of that religion. A worker who becomes a member of a trade union has to fit into the objectives, rules and ways of the union. A woman who lives with her husband's family would have to fit into that family culture. An Indian who settles in the U.S.A. has to adjust to the social and physical environments there. One who joins a new organisation will have to adapt to the new environment.

The message for business is that the firm and its people will have to adapt to the environment of the different markets. As MacIver and Page remark, "every difference of environment means a difference in our habits, our ways of living. On the other hand, our habits, our ways of living, in so far as they differ, create for us a different environment, a different selection within it, and a different accommodation to it. Through a process of constant selection and constant adaptation, the moving equilibrium of life is maintained".[26]

It is often necessary to know the process and nature of the cultural environment for a successful formulation of business strategies. *For example,* while introducing new ideas, techniques, products; while segmenting the market; while formulating the product and promotion mix strategies; one should consider the extent to which different categories of consumers adapt to the new things or environment and the factors favouring and disfavouring adaptations (and also the general attitude of society to the new ideas and environment and their impact on different categories of consumers).

Cultural Shock

Environmental changes sometimes produce culture shock – a feeling of confusion, insecurity, and anxiety caused by the strangeness of the new environment. *For example,* if a youngster, born and brought up in a large city; is posted to a bank office in a remote village, he may experience a cultural shock. Similarly, a villager may experience a cultural shock when he takes up a job in a large modern company in a far away metropolitan city or foreign nation. They have, however, to adapt to the new culture in due course if they want to survive.

Executives and other employees on foreign assignments may experience culture shock in alien environment. Sometimes the organisation itself may suffer shock. Proper home work to understand the culture can help avoid the shock. This also highlights the importance of the selection of people for foreign markets.

Cultural Transmission

A very important character of culture is its transmissive quality. The elements of culture are transmitted among the members of the culture, from one generation to the next, and to the new members admitted into the culture. Some of the aspects of a culture may be transmitted to other cultures also.

The transmissive quality of culture makes it cumulative. Every generation inherits a stock of cultural elements, many of which have been accumulated over a long period of time. As time goes on, cultures accumulate more techniques, ideas, products and skills. It is also quite obvious that certain old elements are dropped as new ideas and traits are acquired.

Cultural accumulation, facilitated by cultural transmission, enables man to build upon the achievements of the past.

Many cultural behaviours are handed down by one's parents, teachers and other elders. The reference groups play an important role in handing down new traits and ideas. Some cultural

behaviours are however, "handed up" to the elders. It is not uncommon to come across elders imitating or adopting some of the new traits of the youngsters who are the trend-setters. Cultural transmission is not only downward and upward; a lot of transmission takes place among contemporaries, too, *e.g.,* styles of dress, recreational fads; reading and learning habits, political, social and economic views. These are often transmitted among contemporaries. Cultural transmission, thus, takes place horizontally as well as vertically.

Cultural transmission takes place by means of symbolic communication. A symbol is any sign, signal or word that conveys a meaning. The great importance of language in cultural transmission is quite clear. Literature, film, TV and some other electronic gadgets, social institutions, advertising and marketing techniques, and so on, play very important roles in cultural transmission.

Transmission also facilitates cultural diffusion, *i.e.,* the spread of cultural elements from one place to another. Cultural transmission and diffusion are easy in a culture with high educational levels and a well-organised communication system. An effective communication system and high educational levels facilitate socio-economic change through better cultural transmission and diffusion, for new ideas and innovations are easily and quickly transmitted, diffused, and absorbed in such a culture. In the context of the generally low literacy rates in India, the government has realised the importance of the media, such as film T V and radio in transmitting information such as better agricultural practices and techniques, market information, the concept and importance of family planning, and so on.

The nature and process of cultural transmission and diffusion in a society is important to business decision-making. *For example,* to formulate a promotional policy for a product, a service or an idea, it is important to identify the relevant elements of transmission, to evaluate the relative effectiveness of alternative communication media, to identify the reference groups and the extent of their influence, to identify the channel of influence on the reference groups, and so on.

Cultural Conformity

Individuals in a culture tend either to conform to the cultural norms or to deviate from them. If the culture endures as it is, most people would conform to the norms. As Inkeles observes, "the social order depends on the regular and adequate fulfilment of the role obligations incurred by the incumbents of the major status-positions in a social system. It follows that the most important process in society is that which ensures that people do indeed meet their role obligation."[27]

A student who abides by the rules of his school discipline, does his home-works promptly and studies properly is conforming to his role obligations. Similarly, an employee who works properly is conforming to his role obligation. And an employee who strikes work for a reasonable cause in response to a strike call by his union is also conforming to his role as member of the union. "When an individual has incorporated within himself the knowledge and appropriate skills necessary to the fulfilment of a role, and when he accepts the value or appropriateness of the action, sociologists speak of his having 'internalised' the role and its psychological underpinnings."[28] Such internalisation helps achieve cultural conformity.

A knowledge of the nature and extent of cultural conformity and deviance will sometimes be helpful in business decision-making. If a society is, by and large, characterised by blind conformity, it would be very difficult to market new revolutionary ideas (including products and techniques) in such a society. Special efforts may be required in such a society to change the attitudes of the people in favour of unconventional ideas. It is also important to understand the extent and nature of the snow-balling effects of initial deviations in a society.

Cultural Lag

The cultural lag thesis put forward by William F Orgburn says that the various parts of modern culture do not change at the same rate, and that since there is a correlation and interdependence of parts, a rapid change in one part of our culture requires readjustments through other changes in various correlated parts of that culture. These readjustments are often difficult, if not impossible, to make because of a variety of factors, ranging from ignorance to active resistance. Technological changes call for adaptive changes in non-material culture, which is inherently conservative. The cultural lag thus places constraints on the scope of social change through technological development. *For example,* in some cultures social inertia and religious sentiments come in the way of population control, though a variety of techniques are available for birth control. The important factors that contribute to cultural lag include ignorance, wrong notions, conservatism, sentimental factors., political factors and vested interests.

International business arena is replete with cases of cultural lag. It indicates that different markets may be in different levels of readiness to accept a new product or idea. To successfully market a new idea (including product, service, technique), it is necessary to identify the factors causing the lag and to overcome them by taking appropriate measures. It would be a blunder to introduce a product to a market which is not ready to adopt it.

CULTURAL TRAITS _____

Cultures have some important traits. An understanding of these cultural dimensions will be helpful in international business.

Low-Context and High-Context Cultures

Whether a culture is high context or low context is very significant in several cases like that of negotiation.

A high context culture is one that places great value on the intangible aspects of a negotiation or business deal. Individuals from such cultures look beyond the facts and figures and take into consideration such factors as personal relationships, atmosphere and attitudes toward respect, religion and trust.[29]

A low context culture, on the other hand, assumes a high degree of shared knowledge on the behalf of a transaction partner and thus deals only in such tangible aspects of the deal as facts, figures and performance. The atmosphere and the personal relationship with the business partners means little. In a low-context culture, business can be conducted without ever meeting face-to-face.[30]

Masculine and Feminine Cultures

Societies with so called masculine values appreciate aggressiveness and assertiveness while respecting the goal of material acquisition. A masculine culture contrasts with a feminine culture which appreciates inter-personal relationships, put quality of life before material acquisition, and applaud concern for individuals and less-fortunates.[31]

As Mitchell observes, the pace of business tends to be more pedestrian in cultures with a majority of feminine traits. Business hinges more on personal relationships—friends doing business with friends—rather than on pure efficiency and written contracts. Business people from feminine cultures are often more reserved and less time-driven than those from masculine cultures where

Achievement Vs. Ascription

An achievement culture is one in which people are accorded status based on how well they perform their functions. An ascription culture is one in which status is attributed based on who or what a person is. Achievement cultures give high status to high achievers where as ascription cultures accord status based on age, gender, or social connections.

Trompenaars recommends that when individuals from achievement cultures do business in ascription cultures, they should make sure that their group has older, senior, and formal position-holders who can impress the other side, and they should respect the status and influence of their counterparts in the other group. Conversely, when individuals from ascription cultures do business in achievement cultures, they should make sure that their group has sufficient data, technical advisers, and knowledgeable people to convince the other that they are proficient, and they should respect the knowledge and information of their counterparts on the other team.

RELIGION

Different peoples have their own religious convictions, beliefs, sentiments, customs, rituals, festivals etc. The cost of ignoring certain religious aspects could be very high, sometimes even fatal, in international business.

When an American fast food chain was planning to enter India, one political party stated that it would oppose the marketing of beef product in the country by the multinational. In a country where cow is regarded sacred, although there were some protests against slaughter of cow, beef is consumed by a sizable population and the number of the beef consumers in India is larger than the total population of many countries. It may, therefore, look ironic that a foreign firm should encounter this kind of a situation. Pork is banned in Muslim countries. During the holy *Ramzan* period, restaurants and the like owned by Muslims remain closed during day time. Muslims would consume the meat of only those animals/birds slaughtered following the prescribed religious rituals. Many Christians do not consume non-vegetarian during the *lent* (50 days preceding Easter) during the 24 days preceding Christmas and on all Fridays. During these periods, Christians do not conduct marriages and other celebrations like baptism. Hence, the weeks following Christmas and Easter are seasons of such celebrations. However, it is interesting to note that although according to the Bible, Christians are expected to fast on Sundays (the Sabbath day) and devote the whole day to God, and not to indulge in any worldly activities, most of them rather eat merrily and celebrate this *holy*day. A Buddhist monk from Thailand, studying in an Indian University, who was found to be a regular non-vegetarian, was asked how the disciple of the Lord who preached *ahimsa* could be a meet eater. His answer was that as a Buddhist he was expected not to kill for meat, but if meat was available in the market he could buy and consume.

Religion may also influence the attitude towards work and wealth. "In the United States, it is common to hear people talk about the Protestant work ethic, which holds that people should work hard, be industrious, and save their money. This work ethic helped to develop capitalism in the United States because of the importance it assigned to saving and to reinvestment of capital. However, Americans are not the only people who work hard. In Asian countries where Confucianism is strong, this attitude is known as the Confucian work ethic. In Japan, it is called the Shinto work ethic."[35] An Indian economist has described the growth rate the Indian economy achieved in the earlier Five Year Plans as the Hindu growth rate.

Religion may also play a role in deciding the weekly holiday, other holidays and working hours. In several countries religious festival times are great business times. People buy new clothes, exchange gifts, sped a lot on food etc. Companies doing heavy promotions, including discounts and other incentive schemes have become very common in India.

Many religious groups consider certain days of the week or certain periods auspices for launching new ventures. On the other hand certain days and periods are regarded bad. Interestingly certain days considered as auspices by some community are considered bad days by some others. Many people, particularly Hindus, do not commence any auspicious thing start out for any important matter during *rahu kala*; important matters have to be done or commenced at *shubha muhurtha*.

Many years ago a foreign bank in Chennai introduced a promotion scheme to attract new customers. The scheme ran for a month. Although there were many enthusiastic enquiries about the details, when the period of the scheme approached the end the bank management was disappointed that the number of new accounts opened was nowhere near satisfactory. It was then that the management realised that they chose the wrong period for the promotion. The scheme was, therefore, extended for some more time.

The Islamic holy book Koran prohibits payment acceptance of interest (Interest is considered *riba* or usury.) Islamic banks do not pay regular predetermined interest to depositors nor do they charge predetermined interest rates to borrowers. Rather the banks take a share of the profits (or loss) which are again shared with depositors. What makes profit sharing, unlike interest, permissible in Islam is that only the profit sharing ratio, not the rate of return itself, is predetermined. Islamic banks now handle more than $100 billion in assets worldwide and asset growth at Islamic banking institutions has been well over 10 per cent per year in the 1990s. Even some large Western banks now have Islamic branches. Muslims in other countries, however, do banking in the normal system prevailing there.[36]

Many business decisions in India and in several other countries are based on astrological advices. These include the decisions regarding the timing of the launch, location of the enterprise, name of the firm, brand name, business portfolio and so on. The only forecasting technique some people depend upon is astrological.

The customs of marriage, naming ceremony of the child, festivals etc, wary significantly between religions. These have implications for many types of business like textiles, jewellery, catering, consumer durables etc.

The influence of religion on politics is on the increase in many parts of the world. And politics often plays an important role in shaping economic policies and business regulation and promotion. In a number of countries religion and government are inseparably united.

Ethnodomination

In many countries one or other industry or trade is dominated by certain ethnic groups. This is particularly true of trade. Ethnodomination in distribution is defined as "a situation where an ethnic group occupies a majority position in a channel of distribution with respect to the ownership and control of physical and financial resources, or through the manipulation of social environment. The control is manipulated through the familiar coercive and collusive practices such as price setting (in both product and factor markets), exclusive dealing arrangements and discrimination among customers or suppliers.[37]

CULTURE AND ORGANISATIONAL BEHAVIOR _____

The cultural impact on international management is reflected by several basic beliefs and behaviors. Given below are some specific examples where the culture of a society can directly affect management approaches and organisational behavior, highlighted by Hodgetts and Luthans.[40]

- **Centralized vs. Decentralized Decision Making:** In some societies, all important organizational decisions are made by top managers. In others, these decisions are diffused throughout the enterprise, and middle and lower-level managers actively participate in, and make, key decisions.

- **Safety vs. Risk:** In some societies, organizational decision makers are risk-aversive and have great difficulty with conditions of uncertainty. In others, risk-taking is encouraged, and decision making under uncertainty is common.

- **Individual vs. Group Reward:** In some countries, personnel who do outstanding work are given individual rewards in the form of bonuses and commissions. In others, cultural norms require group rewards, and individual rewards are frowned on.

- **Informal vs. Formal Procedure:** In some societies, much is accomplished through informal means. In others, formal procedures are set forth and followed rigidly.

- **High vs. Low Organizational Loyalty:** In some societies, people identify very strongly with their organization or employer. In others, people identify with their occupational group, such as engineer or mechanic.

- **Cooperation vs. Competition:** Some societies encourage cooperation between their people. Others encourage competition between their people.

- **Short-term vs. Long-term Horizon:** Some nations focus most heavily on short-term horizons, such as short-range goals of profit and efficiency. Others are more interested in long-range goals, such as market share and technological development.

- **Stability vs. Innovation:** The culture of some countries encourages stability and resistance to change. The culture of others puts high value on innovation and change.

These cultural differences influence the way that international management should be conducted.

OTHER SOCIAL/CULTURAL FACTORS _____

As indicated in the preceding sections, social or cultural environment encompassing the religious aspects; language; customs, traditions and beliefs; tastes and preferences; social stratification; social institutions; buying and consumption habits etc. are all very import factors for business. One of the most important reasons for the failure of a number of companies in foreign markets is their failure to understand the cultural environment of these markets and to suitably formulate their business strategies. This section takes a look at certain social factors relevant to business, some of which would have overlapping with those described in the preceding sections.

Consumer Preferences, Habits and Beliefs

What is liked by people of one culture may not be liked by those of some other culture. Many companies modify their products and/or promotion strategies to suit the tastes and preferences or other characteristics of the population of the different countries. Significant differences in the tastes and preferences may exist even within the same country, particularly when the country is very vast,

populous and multi-cultural, like India. *For example,* while *Nescafe* has about a three-fourths share of the Mumbai market, its share is very small in Bangalore and insignificant in Chennai. *Bru* which takes the large chunk of the Madras and Bangalore markets has a very low market share in Bombay. It may be relevant to recall here that while *Nescafe* advertisement projects an international/ cosmopolitan image of the product, the *Bru* advertisement has as its backdrop the South Indian, particularly Tamil Nadu culture.

For a business to be successful, its strategy should be the one that is appropriate in the socio-cultural environment. The marketing mix will have to be so designed as best to suit the environmental characteristics of the market. Even when people of different cultures use the same basic product, the mode of consumption, conditions of use, purpose of use or the perceptions of the product attributes may vary so much so that the product attributes, method of presentation, positioning, or method of promoting the product may have to be varied to suit the characteristics of different markets.

Bicycles, *for example,* are mostly a basic means of transportation in many developing countries whereas in several developed countries they are used largely for exercising and sporting. Honda found that in North America, where motorcycles are used primarily for leisure and sports, consumers look for high horsepower output and speed. Low cost and ease of maintenance are scoring points in South East Asia where motorcycles are a basic means of transportation. The low-speed torque is preferred to either high speed or ease of maintenance by the shepherds of Australia who use it to drive sheep. Even when a product serves the same purpose, the relative importance of various product attributes may differ between markets. Goodyear, *for example,* stresses tyre safety in Britain, durability and mileage in United States and agile performance in Germany.

Eating habits, consumer preferences and the resultant demand patterns vary greatly from one market to another. *For example,* certain seafood species which are in great demand in some markets may be non-existent in certain markets. Even when the same species is widely used in different markets, product forms and product attributes demanded may vary significantly. Further, within a market, there may be different segments on the basis of demand patterns, for the same species. Again, consumer preferences may change over time.

Although shrimp is in great demand in a number of markets, product requirements vary considerably among markets and from one segment to another. Headless shrimps are sold primarily in Europe but there is no market for this in certain countries like Spain. In Spain consumers prefer whole shrimps with head and shell on for use as appetizers, as ingredients in a dish or as the main course. In most cases, the Spanish consumers peel the shrimp while eating it. In France, there is similar, though less marked, preference for whole unpeeled shrimps. In the US, on the other hand, whole head on shrimps are virtually never served, and greater proportion of the demand is for breaded shrimp. In Japan, shrimps are eaten in different ways, headless shrimp accounting for the bulk of demand. A small but high priced market for whole shrimp including live ones also exists.

There is considerable difference between the product attributes the Americans and Japanese (two major importers of seafood) value. In the US market, correct weight and bacteriological factors are more important than eye appeal, colour, uniformity of size and arrangement of the shrimp which are very important in Japan. This aspect of the behaviour of the Japanese consumers is true of other water species and food items in general. *For example,* brighter the colour of the tuna meat, the higher the tuna is priced. Japanese began to eat red coloured sea bream for celebrations as red was considered a colour of good luck. Accordingly, sea bream with a faded red colour is low in product

between nations. This ratio is generally high in the advanced countries in comparison with the developing countries. Birth control has been a contributory factor in raising the proportion of women employees.

That the wife as well as the husband are working means less time and energy available for cooking at home. It is estimated that, in the US, of the three meals a day, one and a half are eaten away from the home and of the remainder, half are ready prepared. It also means that the family operates differently. It was estimated that $40 billion in family funds was spent by teenagers, mostly for groceries and other household items.[43] This has lot of implications for the marketers. In the developing countries, particularly, the situation would be different from that in the U.S.

The rise in the number of double income households increases the demand for a number of products like household appliances, electronic gadgets, packaged food products etc.

There are also several other demographic trends which have implications for business strategy formulation. While some of these trends are confined to certain countries only, the strength of other trends vary greatly between nations. *For example,* the number of unmarried couples living together has risen in the two decades ended 1990 from about half a million to 2.5 million in the U.S.[44] Such a thing is quite unheard of in several countries like India.

Similarly, the high divorce rate has created over a million single parent families in the U.S. Most of the divorced remarry, leading to the emergence of a large number of blended families. This is not the situation in several countries where people attach more sanctity to marriage so that the marriage lasts life long. In countries where the culture is that a marriage relationship is to last life long, a company may advertise that its durable product will be a life long companion like one's life partner, but to use such a promotional theme in a culture where divorce rate is high and even unmarried partnerships which normally last for only short periods is common, will be a blunder.

One in four U.S. homes now consists of a person living alone compared to about one in thirty ten years ago. The Census Bureau estimates that this group was expected to continue to expand growing to 33.7 million households by 2000. Experts say these loners are more prone to impulse buying because there is no other household member to disagree with or question the purchase.[45]

In short, the social environment of different markets differ vastly. Even within a nation, cultural diversity may be very significant. It is essential to understand these differences to formulate successful business strategies.

TECHNOLOGICAL DEVELOPMENT AND SOCIAL CHANGE _____

According to Han Gerth and Wright Mills, social change refers "to whatever may happen in the course of time to the roles, the institutions or the orders comprising the social structure: their emergence, growth and decline". To Morris Ginsberg, social change means a change in the social structure, *e.g.,* the size of a society, the composition or balance of its part or the type of its organisation. As Biesanz and Biesanz observe: 'social change includes significant alterations in social structure, in cultural definitions, and in the products of socio-cultural action. Social structure may change in size, in the degree of formality and informality, in the types of social relationships, and in the system of statuses and roles. Cultural change is reflected in changing knowledge, beliefs, values and norms. Material products will change as a result of advances in science and technology".

In short, social change may cause one or more of the following: changes in the size of society: changes in social institutions: changes in occupational patterns; changes in positions, status and roles, changes in values, beliefs and attitudes, changes in social interactions; changes in social mobility; and so on.

Social change is brought about by a number of factors—technological, cultural, demographic, biological, economic, environmental, psychological, political, etc.

Technology is one of the important determinants of social change. "The rapid changes in our society are obviously related to, and somehow dependent upon, the development of new techniques, new inventions, new modes of production, new standards of living."[24] Indeed, technology has profoundly altered social attitudes and modes of like "attitudes, beliefs, traditions, which once were though to be the very expression of essential human nature, have crumbled before its advance."[46]

The industrial age has profoundly changed the social life and status of women. "Industrialization destroyed the domestic systems of productions, brought women from the home to the factory and the office, differentiated their tasks and distinguished their earnings. Here is the new environment, and the new social life of women is the response."[47] The introductions of new techniques for the processing and preservation of food and the appliances to perform kitchen and other domestic work facilitated the emancipation of women from the kitchens.

The impact of developments in the field of transport and communications on society is very profound. The automobile and telephone made suburbanization possible in the USA and other countries. Films, television and radio have become very helpful in the transmission and diffusion of information and in the education of the common man. These media play an important role in bringing about social change. Television or radio enables a person to address, at one time, millions and millions who are geographically widely spread. Free radio and television make possible the rapid rise of new political and social movements. No wonder that, in a number of countries, these media are monopolised or controlled by the state, which use them for propaganda purposes. These media have brought about significant changes in the sphere of family and individual recreation. Such technologies have considerably reduced the social distance between the urban and rural areas.

Modern industrialisation, a product of technological development, has upset the social structure. It has administered a severe blow to the caste system. Social mobility has become very conspicuous. Society has become more materialistic. Industrialisation has also given rise to class conflicts.

The industrial, agrarian and transport revolutions have brought about physical environment to some extent and to harness the natural resources better. Air conditioners have made life more comfortable. Huge dams are built to control floods, generate power and to irrigate land. Experiments to produce artificial rains have shown positive signs of success.

Technological developments have made material progress rapid and widespread, though unequal. And the social attitude in general has become more materialistic.

Technological developments have a number of adverse effects on society. Some of the technology-induced developments have caused serious ecological problems – pollution, for example. The film is said to be having some immoral effects on society. There is a criticism that many Indian movies encourage crime, rape, alcoholism and violence. Technology is regarded as one of the factors responsible for the concentration of economic power in a few hands. Some sociologists are of the opinion that capitalism is merely a by-product of mechanisation. Developments in the field of nuclear science, though they offer great scope for advancement, pose a serious threat to the very survival

of the human race. "But to condemn technology altogether is forget that it also saves lives, makes desert bloom, and lets us hear music in our living rooms."

The preceding pages have given a glimpse of a number of important elements and aspects of the social system that have implications for a business, and have indicated several inter-relationships between business and society. Indeed, business and society are very intricately intertwined, acting and reacting upon each other.

SUMMARY

Business is an integral part of the society and they influence each other.

It is now widely rcognised that business has certain social objectives, besides the economic objectives.

The cultural environment of a nation/market may profoundly influence business in different ways and dimensions. The attitude of workers, labour-management relations, government – business relations, entrepreneurial nature and attitude, political philosophies and systems, legal environment, business ethics, governance, government policies etc. could have a social influence on them. Management may undergo a social transformation. *For example,* a number of family owned business groups in India have ushered in professional management. The need for good corporate governance is getting more and more recognition.

In short, the type of products to be manufactured and marketed, the marketing strategies to be employed, the way the business should be organised and governed, the values and norms it should adhere to, are all influenced by the social structure and the culture of a society.

The tastes and preferences, purpose of consumption, method of consumption, occasion of consumption, quantity of consumption, values associated with consumption, etc. of a product may show wide variations between cultures.

It is difficult and, in some cases, almost impossible, to change many elements of the social environment in the short run. Hence, a business may have to adapt to these uncontrollable external environments.

Cultures have some important traits. An understanding of these cultural dimensions will be necessary for successful management. The culture of a society can directly affect management approaches and organisational behaviour.

Even most national markets are multi-cultural. The number of ethnic groups and languages in use in many countries is mind boggling. Such wide cultural diversity poses a tremendous challenge to management. Cultural difference is one of the most difficult problems in international business.

Because of the cultural differences, a promotion strategy that is very effective in one market may utterly fail in another, or may even result in social or legal reprisals. Etiquettes differ from culture to culture. The ways of meeting and greeting people, expression of appreciation or disapproval, methods of showing respect, ways of conducting meetings and functions, table manners etc. vary quite widely between cultures. What is regarded as the right behaviour in one culture may be offending in some others. Familiarity with cultural idiosyncrasies is necessary for success.
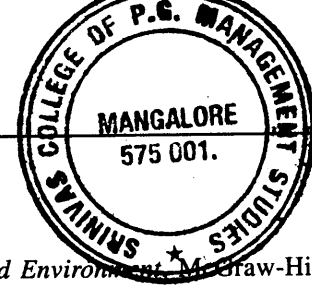
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in the twentieth century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, Government and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests which go to make up industry in a common purpose."[1] Later, in 1978, while delivering the C.C. Desai Memorial Lecture, he reiterated his plea that if the corporation has to function effectively, it has to be accountable to the public at large; and he sought to equate the suggestion of a responsible company with the trusteeship concept advocated by Gandhiji, the aim of which was to ensure that private property was used for the common good. The declaration issued by the international seminar on the social responsibility of business held in India in 1965 also co-related the Gandhian concept of trusteeship with the social responsibility of business as "responsibility to customers, workers, shareholders and the community."[2]

There has been a growing acceptance of the plea that business should be socially responsible in the sense that the business enterprise, which makes use of the resources of society and depends on society for its functioning, should discharge its duties and responsibilities in enhancing the welfare of the society of which it is an integral part.

H.S. Singhania classifies the nature of the social responsibility of business into two categories.

- The manner in which a business carries out its own business activity.
- The welfare activity that it takes upon itself as an additional function.

The first involves the acceptance of the fact that business is not merely a profit-making occupation but a social function which involves certain duties, and requires that appropriate ethics are followed. *For example,* a business must obey all the laws, even when they are disagreeable; it should produce the maximum goods of good quality, ensure smooth supplies at competitive prices, pay taxes, shun malpractices, pay a fair wage to employees and a reasonable dividend to shareholders. It is also the duty of a business to undertake new investment and promote the dispersal of economic activity through ancillarisation and the setting up of industries in backward areas so as to spread enterprise and take employment to the doorsteps of labour. In addition to its commercial activity, business also plays a role in promoting social welfare activity, even directly.[3]

CLASSICAL AND CONTEMPORARY VIEWS

The contemporary view of social responsibility of business is substantially broader and benevolent than the classical one.

According to the classical view, business has only economic objectives and no other responsibility beyond that. Milton Friedman, a Nobel economist and a proponent of this view, argues that "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud.... Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine."[4]

The contemporary view of business is an *ecological* one according to which business is an integral part of the society to serve a social purposes. Proponents this view like Davis and Blomstorm hold that business is a social institution, performing a social mission and having a broad influence on the way people live and work together (See the section *Business and Society* in the previous chapter for details.)

The points listed under the sub-title *Arguments for Social Involvement of Business* given elsewhere in this chapter reflect the basic tenets of the contemporary view. Figure 8.1 and the explanation of social responsibility of business given in this chapter are based on the contemporary view of its scope.

According to Steiner and Steiner, a reasonable approach to social responsibility is as follows.[5]

1. Each business must take into account the situation in which it finds itself in meeting stakeholder expectations.

2. Business is an economic entity and cannot jeopardize its profitability meeting social needs.

3. Business should recognize that in the long run, the general social good benefits everyone.

4. The social responsibility expected of a business is directly related to its social power to influence outcomes.

5. Social responsibility is related to the size of the company and to the industry it is in.

6. A business should tackle only those social problems in which it has competence.

7. Business must assume its share of the social burden and be willing to absorb reasonable social costs.

BOX 8.2 : BUSINESS LEADERS ON CORPORATE SOCIAL RESPONSIBILITY

Here are the observations of some business leaders speaking at a summit on corporate social responsibility (CSR).

According to N R Narayana Murthy, chairman and chief executive officer of Infosys Technologies, corporate's foremost social responsibility is to create maximum shareholder value working under the circumstances where it is fair to all its stake holders-workers, consumers, the community, government and the environment. He points out that by living in harmony with the community and environment around us and not cheating our customers and workers, we might not gain anything in the short-run, but in the long term it means greater profits and shareholder value.

In the opinion of Aman Mehta, CEO, HSBC, Hong Kong, however, it is not so straight forward. He says that CSR as a concept is different to different people and in different countries. Fundamentally, CSR is balancing the conflicting interest put on the corporations from different stockholders with the objectives a commercial organisation in such a way that there is minimum loss to anybody.

Bertrand Collomb, chairman and chief executive officer, Lafarge, France, observes that a company can't be successful in the long-run without a happy community around and a motivated and happy workforce which would translate into greater labour productivity, lower wastage in manufacturing process and product rejection rate resulting in greater profits. According to him, international companies can exhibit a greater social responsibility by bringing in efficient manufacturing and business practices to the developing countries and training and educating local people in new skills and knowledge.

Courtesy: The Economic Times, 5 December, 2001.

SOCIAL ORIENTATIONS OF BUSINESS

The extent of social orientations of companies vary very widely. Further, the social orientation or the extent of social involvement of a company may change over time.

Social Responsibility Models

There are some models which endeavour to describe the evolution and extent of social orientation of companies. Notables ones include Carroll's model, Halal's model and Ackerman's model.

Archie B. Carroll, who defines corporate social responsibility as the entire range of obligations business has to society, has proposed a *three-dimensional conceptual model of corporate performance*. According to Carroll, a firm has the following four categories of obligations of corporate performance.[6]

- Economic
- Legal
- Ethical
- Discretionary

The firm being an economic entity, its primary responsibility is economic, *i.e.*, efficient operations to satisfy economic needs of the society and generation of surplus for rewarding the investors and further development.

Legal responsibilities are also fundamental in nature because a company is bound to obey the law of the land.

Ethical responsibilities are certain norms which the society expects the business to observe though they are not mandated by law. *For example,* a company shall not resort to bribing or unethical practices, unfair competitive practices etc.

Discretionary responsibilities refer to the voluntary contribution of the business to the social cause, like involvement in community development or other social programmes.

Carroll points out that these four categories are not mutually exclusive, and the boundaries between them are difficult, if not impossible, to define. Further, these terms are not value-free and they may be interpreted differently by different people.

Carroll later presented the different categories of responsibilities as a *pyramid of corporate social responsibility*.[7] Economic responsibilities are at the base of the pyramid, succeeded by legal responsibilities, ethical responsibilities and, finally, philanthropic responsibilities.

According to Carroll's pyramid, legal responsibilities come only at the second stage. This is not a right view. A company must inevitably obey the laws, even if it is unable to discharge some' of the economic objectives, as long as it exists. Figure 8.1 presents the right perspective.