



THIRD EDITION

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**Business
Environment**

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BUSINESS

ENVIRONMENT

SHAIKH SALEEM



Third Edition

Business Environment

Shaikh Saleem

Director

*Maulana Azad Educational Trust's
Millennium Institute of Management
Aurangabad, Maharashtra, India*

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*In the loving memory of Dr Rafiq Zakaria,
who showed us a new way of living.*

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Foreword

The business environment in India is undergoing a dynamic change; what was looked upon as an underdeveloped nation is now regarded as a potential economic power, struggling to take strides in the service industry, providing multinational companies with unparalleled opportunities. Already, India is moving to tune in to the requirements of global markets and taking concrete steps to generate more employment.

“Brain drain”, which had been the subject of extensive talk in corporate circles, has now been replaced by “brain gain”. The Murthys and Premjis are gaining international recognition; the Tatas are entering into several collaborations abroad.

However, the development process is still evolving. There has, no doubt, been an accelerated shift from the traditional and inward-looking policy to a much more forward-looking framework. With liberalization and privatization taking place in almost all major sectors of the economy, the nature and extent of the role of the state is undergoing fundamental changes; these are excellent portents.

Reforms in all sectors are on the anvil, especially for the much neglected agriculture sector, which is receiving special attention from the government. It is hoped that with the new measures introduced it will transform rural India. In this changing environment of such gigantic dimensions, this book by Dr Shaikh Saleem, detailing the various factors of what exists and what promises to change is a most welcome effort. Dr Saleem is a scholar of repute and an administrator of high standing. He has had a varied and rich educational background as well as industrial experience. His approach is analytical and comprehensive. His book captures major areas of Indian economic development in recent years, and attempts to analyze them and their impact on corporate adjustments and industrial management.

This book will provide a broad review of the various steps taken by successive governments since independence. What had been done right? What has gone wrong? This book goes into all aspects of economic development and presents an overall picture in all its hues. It contains a wealth of information and I am sure the book will prove to be a valuable addition to the study of the complex new challenges facing India today.

RAFIQ ZAKARIA

Preface to the Third Edition

Recently, the business environment has undergone momentous changes and the world has altered significantly since the publication of our first edition in 2006. The recent economic recession of 2008, which had its origin in the US, brought the entire world economy in turmoil, having both direct and indirect impact on economic development. It has also compelled us to re-think capitalism and gratuitous privatization without regulation even in those countries which are traditionally committed to free trade.

In India, political developments, besides economy, have a direct bearing on the shaping of our economic policy and are gradually becoming a matter of concern. Events like the assassination of Benazir Bhutto and subsequent turmoil in Pakistan, the change of guard in Nepal and Bangladesh and the conflicts in Sri Lanka have had major impacts on the Indian policies. Recently a change in the Government of India, will definitely present the economic policies in a different light. The present government is more active in initiating policies related to privatization, globalization and foreign investments. The present government also has a capitalistic frame of mind and it is quite evident from the steps it has taken so far. Also, the situation in the neighbourhood has not improved to any extent. Growing clashes with Pakistan and China, our influential neighbours, are also posing a threat to India's economic policies. Moreover, the world economy has still not recovered fully from the recession of 2008.

The above developments, along with the overwhelming response and encouraging feedback from the users of this book have prompted us to go for the revision of the second edition.

The revised edition presents a thorough overhaul of the earlier edition and is updated with the latest information and developments and also new aspects have been added to keep pace with the rapidly changing economic and political scenario of the world.

The previous editions were profusely endorsed by various reputed institutions like Indian Institute of Management (IIM) Indore, IIM Lucknow, Osmania University, Gauhati University, Uttar Pradesh Technical University and various other B-schools and colleges for their MBA, M.COM, B.COM, BBA and other management and economic courses. I am very much hopeful that the revised edition will prove even more rewarding for the students, academicians and researchers alike.

Acknowledgements

I am indebted to all those who have helped, encouraged and supported me in preparing the third edition of this book. My special thanks and gratitude go to Padmashree Fatma Rafiq Zakaria, Chairperson, Maulana Azad Educational Trust and Society, for her motivations and support for writing this book. Thanks are also due to my son, Mohammed Ibad who has helped me a great deal in updating the information in this book and bringing this book up to date.

I would like to thank Pearson Education India, especially Vipin Kumar, Varun Goenka and the entire team for their co-operation and encouragement.

I am also thankful to my family members, especially my wife for her invaluable support.

I solicit critical observation and suggestions from professionals and students.

Preface

India's economic policies during the pre-liberalization era were characterised by strong centralised planning, government ownership of basic and key industries, excessive regulation and control of private enterprise, trade protectionism through tariff and non-tariff barriers, and a cautious and selective approach towards foreign investment and MNCs, dependent on regime-guided and bureaucracy-controlled quotas, permits and licenses.

During early 1980s, these inward looking economic policies began to be widely questioned. Policy makers started realizing the drawbacks of this strategy, which curbed competitiveness and efficiency, produced a much lower rate of growth than expected and led to inferior-quality, high-cost domestic production.

During the 1990s, the economy was virtually on the verge of financial disaster, threatened by the precarious balance between payment and current account deficit, as well as a huge budget deficit. Insufficient foreign exchange to meet import needs had resulted in gold being mortgaged to the Bank of England to save the country from defaulting on international debt repayments. Restructuring the economy was the only alternative available to stem this drift. Consequently, economic reforms were introduced. The new industrial policy announced by the Government of India on 24 July 1991 proved to be a watershed in the post-independence history of India.

In the newly liberalised industrial and trade environment, the government allowed competition and market forces to guide investment decisions. It progressively assumed the roles of promoter, facilitator and catalytic agent instead of a controller and licensor of private economic activities. With progressive liberalization, privatization and globalisation, the business environment in India has become increasingly international.

It is with this environment in mind that the University Grants Commission introduced Business Environment as a subject for B.Com, B.B.A., M.Com and M.B.A. courses. This book has been written in accordance with those B.B.A., B. Com, M.Com and M.B.A. courses outlined in the UGC model curriculum.

The book has a number of distinguishing features, including thorough discussions on the conceptual framework of each chapter, comprehensive coverage of government policies, and detailed, student-friendly discussions on liberalization, privatization, globalisation and the WTO.

In each chapter, boxes containing brief information have been provided. The objective is to enable students to test and affirm the knowledge acquired by them in a particular chapter. A large number of tables containing statistical data are provided with an aim to support the conceptual input provided in the text. At the end of each chapter, a case study has been discussed to help students analyse the complex issues encountered in real-life business situations. Keywords, provided at the end of each chapter, will help students understand the subject faster and enhance their vocabulary. A consolidated list of all the resources referred to in each chapter is given next to the key words for ready reference.

This book has been designed to keep in view the standard requirements of students of business management, commerce and economics at graduate and post graduate levels. It can, however, equally serve the purpose of a business manager who needs to understand the business environment configuration to make corporate decisions. Candidates aspiring to compete for professional courses and jobs will also find it a valuable source.

I express my thanks and gratitude to all those who have helped, encouraged and supported me through this project. My special thanks and gratitude to Dr. Rafiq Zakaria, founder of the Maulana Azad Educational Trust and Society, an intellectual and educationist, who encouraged and supported me in this endeavor and wrote the foreword to this book. His sudden death on 9 July 2005 has deprived us of a visionary, a scholar and a statesman who rendered a yeoman's service to the nation. I dedicate this book to him for his immense efforts toward the cause of education.

My thanks also go out to Mrs Fatma Rafiq Zakaria, Chairperson of the Maulana Azad Educational Trust and Society, for her support of the project. Thanks are due to my institutions—the Millennium Institute of Management and the Tom Patrick Institute of Computer and Information Technology—and their staff. Thanks are due to my staff, specially Mrs Vidya Gawli, Mr Imran Khan, Ms Afsha Dokadia, Mr Asrar Ahmed and my family.

I alone am responsible for any mistakes and oversights that might have remained, and suggestions for further improvement are always welcome.

SHAIKH SALEEM

About the Author

Shaikh Saleem, (M.com, LLB, MBA and Ph.D.), is the director of Maulana Azad educational Trust's Millennium Institute of Management since 2003. He has 30 years of academic and professional experience. His areas of expertise are business law, business economics and management. He has been awarded the 'Innovative B-School Leadership Award' and also 'Asia's Best B-School Finance Professor Award' by DNA and Star of the Industry group in 2009 and 2012, respectively. He has published numerous research papers and articles in various national and international journals and dailies.



Business Environment

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INTRODUCTION

Every business organization has to interact and transact with its environment. Hence, the business environment has a direct relation with the business organization. Obviously then, the effectiveness of interaction of an enterprise with its environment primarily determines the success or failure of a business.

The environment imposes several constraints on an enterprise and has a considerable impact and influence on the scope and direction of its activities. The enterprise, on the other hand, has a very little control over its environment. The basic job of the enterprise, therefore, is to identify with the environment in which it operates and to formulate its policies in accordance with the forces which operate in its environment. Every business organization has to tackle its internal and external environment. For example, a committed labour force provides an internal environment of any business, whereas the ecological factors determine the external environment. While the internal environment reveals an organization's strengths and weaknesses, the external environment reflects the opportunities available to the organization and the threats it faces.

India has a developing economy with abundant natural resources, large population, and a low level of per capita national income. Although a substantial liberalization has been envisaged for the country, the economic activities are still considerably controlled by the government. A low standard of living, backed by a vicious cycle of poverty, for a considerable section of population and about 250 million people under the poverty line, coupled with a considerable concentration of economic power in few hands, characterise the Indian economy.

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MEANING AND DEFINITION

‘Environment’ literally means the surroundings, external objects, influences, or circumstances under which someone or something exists.

‘Environment’ literally means the surroundings, external objects, influences, or circumstances under which someone or something exists. Keith Davis defines the environment of business as ‘the aggregate of all conditions, events, and influences that surround and affect it’ (Davis and Blomstrom 1971).

The actual environment of any organization is ‘the aggregate of all conditions, events and influences that surround and affect it’.

Characteristics of Business Environment are listed hereunder.

- Complex
- Dynamic
- Multifaceted
- Far-reaching impact

Business policies of an organization are influenced by its environment, which is the aggregate of all conditions, events, and influences that surround and affect it.

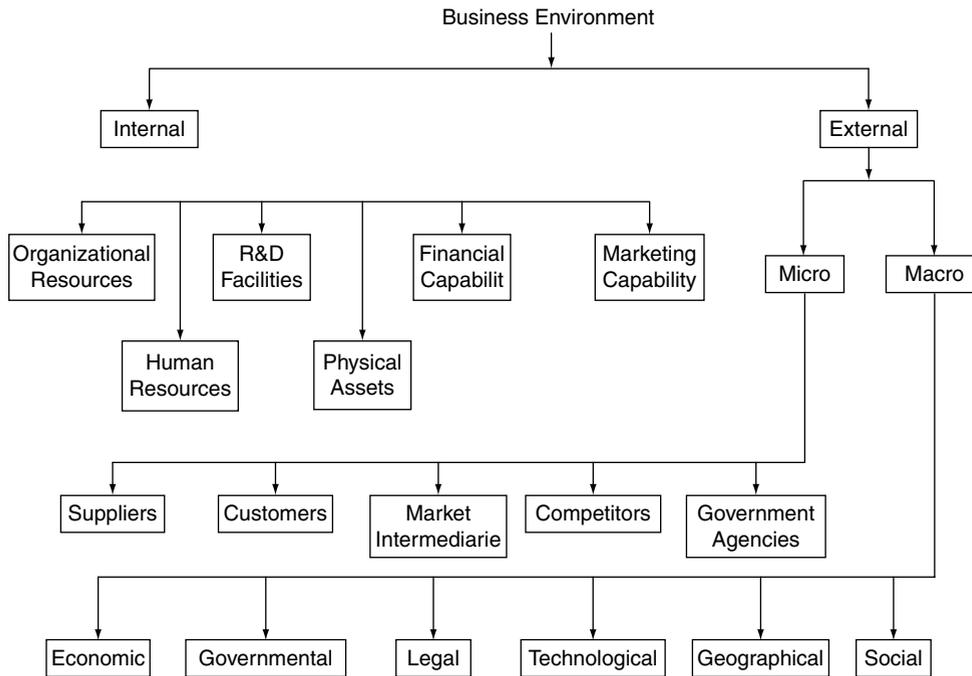
There are two sets of factors—internal and external—which influence the business policy of an organization. The internal factors are known as controllable factors because the organization has a control over these factors. It can modify or alter such factors to suit the environment. The external factors are known as uncontrollable factors because they are largely beyond the control of an individual enterprise.

The internal environment consists of a large number of factors which contribute to the success or failure of an organization. It refers to all the factors within an organization, which impart strength or create weakness of a strategic nature. Strength is the inherent capacity of an organization which can be used to gain strategic advantage over its competitors. On the other hand, the weakness of an organization refers to its inherent limitation or constraint which creates a strategic disadvantage.

The important internal factors include the following:

1. Organizational resources,
2. Research and development, and technological capabilities,
3. Financial capability,
4. Marketing capability and resources
5. Operations capability,
6. Human resources,
7. Company image and brand equity and
8. Physical assets and facilities.

The term ‘business environment’ generally refers to the external environment and includes factors outside the firm which can lead to opportunities for or threats to the firm. Although there are many external factors it is divided into micro and macro environments. The most important factors of macro environment are economic, governmental, legal, technological, geographical, and social.



SALIENT FEATURES

The nature of the environment is likely to determine, to a great extent, the role of the enterprise and hence, the nature of the task and the role of the top management, in general, and that of the chief executive, in particular. The salient and distinct features of the environment in which the enterprise operates determine the nature of its business policy.

Public policies must be consistent with and conducive to creating confidence among business enterprises, in particular, and people at large, in general. Obviously, government regulations need to motivate the business community to make use of opportunities to actively participate in the task of developing the economy, on the one hand, and increasing the living standards of the people, on the other.

Rapid social change leading to a transformation of the society has become the order of the day. Industrialization and the resultant urbanization have given birth to a certain level of social disorganization, while an industrial society has emerged in the place of a traditional social setup. Now, the industrial workforce in India represents the most organized segment of our society. They are, perhaps, most aware of their rights and are fighting for the same. The struggle for protecting their interests is likely to be a continuing feature, particularly in the face of threats posed by the adoption of newer technologies.

Every company's policy is, in many ways, affected by its environment because the accomplishment of its objectives depends largely on the degree of interaction of the enterprise with its environment. The environment imposes several constraints on the enterprise and has a considerable impact and influence on the scope and direction of its activities. The nature of business environment in India is dominated by the government regulations with a view to ensure a certain level of economic life to the people. Not only government regulations, but also any fluctuation in the environment has an impact on the existing business canvas.

Industrialization and the resultant urbanization have led to a transformation in the social setup. It has given birth to an industrial workforce, which is very organized and more conscious of its rights.

Taking care of the nature of business environment enables the corporate policy-maker to

1. Perform the critical function of matching the needs of the society and the capacity of the goods and services to satisfy the needs of the people,
2. Adapt the organization itself to the dynamic conditions of the society,
3. Match the organizational policies and resources with the social needs, and
4. Contribute to the social responsibility of business.

Thus, a business policy should be matched with the specific needs of the customer, producer, and the society at large. It means that the organization has to focus itself on its environment.

A constant focus of the business organization on critical aspects, such as customer satisfaction, product development to satisfy specific needs of the society, how the products and services offered by the organization are capable of meeting the social and environmental needs, and so on, would enable the organizational policies to identify with its business environment. Actually, environmental changes strongly influence the organization, through its customers, its market or channels of distribution banking community, suppliers, and so on.

Any business organization should keep its focus on critical aspects, such as product development and customer satisfaction, with a view to meeting social and environmental needs.

WHY A COMPANY NEED TO BE AN INTERNATIONAL ONE?

- To optimise the utilisation of previously untapped market
- To effectively increase economies of sale
- To take maximum advantage of product/business life cycle
- To utilise natural resources and cheap manpower available within the host country
- When domestic sales is below the break-even point
- To transfer inferior goods to other developing countries.

IMPORTANCE OF THE STUDY

Before analysing the various external environmental factors, let us consider the importance of the study of the business environment:

1. It helps an organization to develop its broad strategies and long-term policies.
2. It enables an organization to analyse its competitor's strategies and, thereby, formulate effective counter strategies.
3. Knowledge about the changing environment will keep the organization dynamic in its approach.
4. Such a study enables the organization to foresee the impact of socio-economic changes at the national and international level on its stability.
5. Executives are able to adjust to the prevailing conditions and, thus, influence the environment in order to make it congenial for business.
6. Development of effective strategies to ensure sustainability.

7. To foresee the impact of socio-economic changes both at the national and international levels on a firm's ability.
8. Analysis of competitors' strategies and formulation of effective counter measures.
9. To keep the organization dynamic.

ENVIRONMENTAL FACTORS

Many factors can be included in the category of environmental factors—social, economic, cultural, geographical, technological, political, legal, and ecological factors; in addition to government policies, labour factors, competitive market conditions, locational factors, emerging globalization, and so on. According to writers like W.F. Glueck and I.R. Jauch, the environment includes the factors outside the firm which can lead to opportunities or threats to the firm. Although there are many factors, the most important of the factors are socio-economic, technological, suppliers, competitors, and government. We may examine some of these environmental factors briefly here.

Social Factors

Every business organization operates within the norms of the society and exists primarily to satisfy its needs. Hence, a business organization has an important position in the social system. It has a social responsibility. While the social factors influence the policy and strategy of business, the organization strives to satisfy the needs and wants of the society.

There are many social factors which affect the policy and strategy of corporate management. Culture, values, tastes and preferences, social integration and disintegration, and so on must be a part of the agenda of every business organization. While social institutions are closely linked with business organizations, business itself is a social institution. As observed by Keith Davis and Robert Blomstrom, business is a 'social institution performing a social mission and having a broad influence on the way people live and work together' (Davis and Blomstrom 1971).

Every business organization has a social responsibility. It operates within the norms of the society and strives to satisfy the needs and wants of the society.

Economic Factors

Economic factors, such as per capita income, national income, resource mobilisation, exploitation of natural resources, infrastructure development, capital formation, employment generation, propensity to consume, industrial development, and so on, influence the business environment. Besides all these, the economic performance of a country also determines the business environment.

India's economic performance has been erratic in the 1980s. Although planned economic development has resulted in a considerable economic growth over the years, political instability has resulted in a slow industrial progress, price instability, high inflation rates, foreign exchange crises, and so on. Above all, a country's progress is determined by its economic system too. The three types of 'Economic Systems' are given in Box 1.1.

The economic factors that influence a business environment are per capita income, national income, infrastructure development, capital formation, resources mobilisation, exploitation of natural resources, etc.

Cultural Factors

The cultural factors of a business environment should also be taken into consideration while scanning the environment and during the policy formulation. Managers and policymakers in a global business cannot disregard cultural variables like social and religious practices,

Box 1.1 Economic Systems

There are three types of economic systems—capitalism, communism, and mixed.

1. Capitalism believes in private ownership of production and distribution facilities. The United States, Japan, and the United Kingdom are examples of capitalist countries.
2. Communism is a system where the state owns all the factors of production and distribution. Cuba is
3. Mixed economic system is one where the major factors of production and distribution are owned, managed, and controlled by the state. France, Holland, and India are examples of mixed economies.

an example of the last remaining predominantly communist country.

education, knowledge, rural community norms and beliefs, and so on, which are predominant in India, especially in the rural society. Sociological and cultural factors are also very significant in the rural communities in India. Social stratification plays a vital role in rural societies while cultural differences are unthinkable for any international manager or even an urban Indian manager.

Geographical Factors

Geographical locations, seasonal variations, climatic conditions, and such other factors considerably affect the tastes and preferences of customers. Hence, business policymakers must consider geographical factors analytically.

In a global business environment, geographical locations, seasonal variations, climatic conditions, and so on, considerably affect the tastes and preferences of customers, and also prospects and the labour force. The policies of the government regarding industrial locations are considerably influenced by the pace of development in various geographical locations. Business policymakers, particularly managers in a global business environment must, therefore, consider such geographical factors analytically.

Technological Factors

Technology is considered to be one of the most important factors of any business environment. That is why the government, in its industrial policy resolutions, industrial licensing policies, MRTP and FERA regulations, and even in liberalization policies, has assigned a great importance to sophisticated technology and technology transfer. Foreign investment upto 100 per cent is allowed in industries with sophisticated technology. The late Prime Minister Rajiv Gandhi's vision of a modern India was of a technology-based nation. Technology imports and foreign technical collaboration were allowed for this purpose. Since technology develops rapidly, technological factors must be taken into consideration by managers and policymakers.

Political Factors

The philosophy and approach of the political party in power substantially influences the business environment. For example, the Communist-ruled state of West Bengal had the largest number of industrial disputes and lost through agitation. Similarly, during the Janata party rule at the Centre, IBM and Coca Cola had to wind up their business. At the time of the Congress rule, the stock prices went up, whereas the stock market crashed during the unstable minority government of the National Front. In the Kingdom of Saudi Arabia, the business environment and the social system are regulated largely by Shariat (Islamic religious law). Thus, the management of business enterprises and their policies are considerably influenced by the existing political systems.

Legal Factors

Every aspect of business is regulated by a law in India. Hence, the legal environment plays a very vital role in business. Laws relating to industrial licensing, company formation, factory administration, industrial disputes, payment of wages, trade unionism, monopoly control, foreign exchange regulation, shops and establishments, and so on are examples of what forms the legal business environment in India. Some of these legislations are examined in other chapters.

Ecological Factors

Ecology deals with the study of the environment, biotic factors (plants, animals, and micro-organisms), abiotic factors (water, air, sunlight, soil), and their interactions with one another. Man is expected to preserve the ecological factors for achieving a sustainable growth. A change in any biotic or abiotic factor causes ecological imbalance. Industrial activities, automobiles, emission of fumes or smoke and effluents, and so on, result in environmental degradation. Hence, environmental protection and preservation must be the responsibility of every organization or an individual. Pollution-free industrial activity is, therefore, considered to be a necessary condition of industrial organizations. The Government of India is committed to the preservation of ecological balance.

Pollution-free technology and recycling of industrial wastes and effluents have become a corporate concern now. Legislative measures have also been adopted for this purpose. Important legislations in this connection are as follows:

1. The Water (Prevention and Control of Pollution) Act, 1974 provides for the prevention and control of water pollution;
2. The Air (Prevention and Control of Pollution) Act, 1981 aims at preventing, controlling, and reducing air pollution; and
3. The Environment (Protection) Act, 1986 ensures the protection and improvement in the quality of the environment.

The government's concern for protecting the ecological environment and preventing it from degradation and pollution is very evident in these Acts.

The Government Policies

The government policies provide the basic environment for business. For instance, the government's policy to open up the Indian economy to integrate it with the global economy has resulted in liberalization. Industrial policy resolutions and licensing policies, trade policies, labour policies, location policies, export–import policies, foreign exchange policies, monetary and fiscal policies, taxation policies, and so on, pave the way for business environment.

Labour Factors

Although labour within the organ is at ion constitutes its internal environment, general labour policies and climate may form a part of the external environment. If militant trade unionism is widespread in a particular industrial location, such militancy would become the labour climate there and would make an external element. At the same time, a specific organization may have a committed labour force, which could be the strength of the internal environment of that organization.

Protection of the environment and preservation of ecological balance is the responsibility of every business organization.

Competitive Market Condition

Competitive market condition is an important environmental factor, especially in a global business environment. In a socialistic economic environment, the market is controlled by a centralised authority—the government—whereas the competitive forces determine the market in a fully capitalist economy. India, which has accepted a middle path, had been fostering both the conditions. As a result of liberalization, some characteristics integrating the Indian economy with the global economy have emerged. As a result, a competitive market condition has emerged in India, creating a competitive business environment. A situation of perfect competition now exists in respect of various products, for example, automobiles, consumer durables, and so on. In a competitive situation, the market forces of demand and supply must interact with each other, providing a business environment. As a part of globalization, a competitive market has come to stay.

Locational Factors

Locational policies are adopted by many countries for attaining an economic balance. The establishment of the Tennessee Valley Authority (TVA) for a regional planning in the United States is an example. In India, the metropolitan cities and their suburbs have been active with business and industrial activities, while many areas have continued to remain backward. In order to develop the backward areas and to attain economic balance, an industrial dispersal policy has been adopted by the government to boost business in India. The government policy in India is, therefore, to achieve a dispersal of industrial activities to underdeveloped locations and to avoid industrial concentration in developed areas. Government policies, viz., industrial policy, industrial licensing policy, incentive policy, taxation policy, and even credit facilities ensure the meeting of these objectives.

BUSINESS ENVIRONMENT AND STRATEGIC MANAGEMENT: A GLOBAL APPROACH

The process of globalization has led the business corporations and conglomerates to project themselves as global corporate citizens. With increased participation in global economy, corporate managers need to account for the nature and environment of the economic bloc where they propose to operate.

The process of globalization has progressed fast, hailing the end of communism and socialism. Globalization serves as a means of combining the idea of globalization with that of local considerations. Thus, initially developing an understanding of globalization offers a great deal of assistance in understanding the function and meaning of globalization process at the outset. Business corporations and conglomerates are projecting themselves as global corporate citizens. They formulate their perspectives and strategic planning for the global market, while operational strategies are drawn for the local markets. In this context, an important point to be considered in their corporate policy and strategy would be the economic blocs.

The European Economic Community (EEC), North Atlantic Treaty Organization (NATO), 'Third World' neutralist bloc, the Organization of American States (OSA), Arab bloc, Organization of African Unity, Organization of Petroleum Exporting Countries (OPEC), Non-Aligned Movement (NAM), Association of Southeast Asian Nations (ASEAN), Commonwealth countries bloc, South Asian Regional Cooperation (SAARC) bloc, European Free Trade Association (EFTA), Latin American Free Trade Association (LAFTA), Central American Common Market, and so on are important associations in the global perspective. Any new bloc can come into existence at any time, which should be reviewed by the global manager today.

Corporate managers, who make policies and strategies, must account for the nature and environment of the bloc, where they propose to operate. For example, the EEC countries made a common economic bloc with a common market and a common currency by 1999. A company might operate in a global market, but it must have a specific strategy option for the EEC common market. The EEC market accounts for about one-fifth of India's total exports. Upgrading the quality of goods exported to EEC became necessary because of high-quality specifications. All the 12 member countries laid emphasis on the improvement in quality standards. Hence, the Bureau of Indian Standards (BIS) had a monumental task in laying down high standards for Indian goods exported to EEC countries. The BIS collaborated with the European Commission in the programmes relating to industrial standards, quality assurance, conformance testing, information technology (IT), electronics, and telecommunication for standardization and certification on a mutual basis.

The concept of a single market has already gained ground. Since the EEC bloc has special standard specifications, all the countries in the community follow the same standards. On account of stringent measures of quality standards in the EEC, it is possible for EEC standards to be accepted as international standards. Thus an economic bloc substantially influences the business policy of every player in the market. In the meanwhile, the NAM is getting stronger and more globally acceptable.

In a globalized business environment, business policymakers and strategic managers must formulate strategies and policies not only globally but locally, with an emphasis on individual economic blocs. In the changed environment in which communist-socialism has become irrelevant, economic blocs may gain greater importance.

The globalization of business may imply a one world with a free market where there would be a closer cooperation among different states with greater mutual trade regime under trade agreements. Greater closer cooperation can also be expected among the member countries of different economic blocs. Every economic bloc may have its own common agenda of programme and common purpose, which should be tackled by the corporate strategic planner. Preserving sustainable environment, especially ecological environment, and answering the call for social responsibility of business would become a part of the global corporate strategy. The managers must take into consideration the following factors while designing the policies.

In a globalised business environment, business policymakers and strategic managers must formulate strategies and policies not only globally but locally, with an emphasis on individual economic blocs.

Risk Overview

Overall assessment. India's main security concern is its relationship with Pakistan. India's political system is well entrenched, though states are gradually taking on more powers. Corruption is a serious concern and bureaucracy and vested interests have hindered reforms. The legal system is relatively impartial, but suffers from delay in meting out justice. The main imbalance in the economy stems from large fiscal deficits. Although efforts are under way to clarify the tax system, it is still quite complex and remains heavily dependent on customs duties. Although the labour market is highly regulated, poor transport infrastructure is likely to be a significant deterrent to investment.

Security risk. India has several geographically discrete security concerns. A number of anti-Indian, Islamic, Chinese and Kashmiri militant groups operate in the disputed state of Arunachal Pradesh and Kashmir and India has fought two wars with Pakistan over the territory. Tensions with Pakistan have eased of late as the Indian Prime Minister has made peace overtures to Pakistan; confidence-building measures—mainly sports and transport links—have been introduced. Possession of nuclear weapons by both nations perpetuates concerns about a large-scale war, though cold war is always going on in the form of frequent attacks from both sides. Militant groups operate in north-east India, which is an important area for the production of both tea and oil. The communal clashes between Hindus and India's large Muslim minority are not infrequent.

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