HOW WELL CAN YOU PREDICT THE RESULTS OF YOUR ACTIONS?

+

complexity

Characteristics: The situation has many interconnected parts and variables. Some information is available or can be predicted, but the volume or nature of it can be overwhelming to process.

Example: You are doing business in many countries, all with unique regulatory environments, tariffs, and cultural values.

Approach: Restructure, bring on or develop specialists, and build up resources adequate to address the complexity.

volatility

Characteristics: The challenge is unexpected or unstable and may be of unknown duration, but it's not necessarily hard to understand; knowledge about it is often available.

Example: Prices fluctuate after a natural disaster takes a supplier off-line.

Approach: Build in slack and devote resources to preparedness—for instance, stockpile inventory or overbuy talent. These steps are typically expensive; your investment should match the risk.

ambiguity

Characteristics: Causal relationships are completely unclear. No precedents exist; you face "unknown unknowns." : G.S.T.

Example: You decide to move into immature or emerging markets or to launch products outside your core competencies. Miss Communication

Approach: Experiment. Understanding cause and effect requires generating hypotheses and testing them. Design your experiments so that lessons learned can be broadly applied.

uncertainty

Characteristics: Despite a lack of other information, the event's basic cause and effect are known. Change is possible but not a given.

Example: A competitor's pending product launch muddies the future of the business and the market.

Approach: Invest in information—collect, interpret, and share it. This works best in conjunction with structural changes, such as adding information analysis networks, Technology that can reduce ongoing uncertainty.

−

—　HOW MUCH DO YOU KNOW ABOUT THE SITUATION?　+

CHALLENGES IN BUSINESS

The speed of economic technological changes means that the right path yesterday may not work today and could be a disaster by tomorrow. So many challenges have been facing by the business as follows:

1. TRUST (INTEGRITY) :- Business has never faced the challenges that it faces in to-day's global economy. Everyone is struggling to be more successful. Many business employees and executives are under pressure. People deceiving others, is just part of business. These practices leads to reducing trust between employers and employees, between business partners, between executives and shareholders. Without trust, the business will not be able to compete effectively and it will fail.

2. Financial (CASH) Management :- Cash is King. Business people should maintain cash reserves to meet all obligations during recessionary period when cash flow is flowing more slowly into the business and creditors are not extending time to pay. Bankers are not willing to liberalise their lending policies during this period.

3. More Competition :- It is more difficult for businesses to retain customers who can change their suppliers with the ~~ch~~ click of a mouse. Through ONLINE business, customers can get things from their homes at cheaper price.

4. Marketing and customer Loyalty : (Service after Sales) once you get new customer, how do you keep these customers when they are attracted by competitors through cheaper prices ~~Seen~~ customers also expecting a better service after sales.

5. UNCERTAINTY :- Due to uncertainty, business companies are away from long-term planning. Technological changes, weather conditions, Competitor's Strategies are leads to uncertainty.

6. Problem Solving and Risk Management :- The lack of a sophisticated problem-solving competency among today's business leaders is limiting their ability to adequately deal with risks facing their businesses. This is why corporate managers tend to jump from one organization to another organization.

7. Finding the right staff :- Many new manufacturing jobs require high-tech skills. And some require several years of training. Because of changing technology businesses are struggling to find qualified workers with IT skills. Finding the right people and developing the right skills and competencies is the key to a sustainable future.

DIGITALISATION STRATEGIES

Digitalisation is a vast subject, consisting of a number of areas such as business, social sciences or Technology. Three components used in the context of digitalisation, such as Computerisation, Electronisation and digitalisation are supported by two other components of Networking and Telecommunications. Organisations are using these five components are termed as digitalised enterprises and the process is called digitalisation.

Computerisation: It is an integral part of the organisation. In order to ~~compute data~~ computerise data, we need to first electronise it. The purpose of computerisation was to accelerate the process, thereby making it more productive and efficient.

Electronisation:- Conversion of physical data into electronic data through digitalisation. Ex:- An electronic watch shows the time in digits or numbers on the dial. A watch however can not transmit the electronic data related to time. For this to take place, it has to be digitilised and then ~~ne~~ networked.

Digitilisation:- Digitalisation is a technical term denoting the conversion of electrical signals into digital signals, a process that takes place. Ex:- In case of recording music on a compact disk, when physical sound waves in the form of electrical sound signals get converted into digital electronic signals.

Telecommunications & Networking:-

The evolution of telecommunications is another component of convergence, enabled organisations to move beyond their own boundaries to other organisations and get connected to public networks. This is what happened when organisational ~~Inte~~ Intranets developed and then got connected to public networks such as the Internet.

Digitilisation and Electronisation has led to the widespread use of terms with a prefix of 'E' or 'e' to traditional functions and activities.

Digitization or Digitalisation is the process of converting information into a digital (i.e computer readable) format, in which the information is organised into bits. (Smallest units of configuration) The result is the representation of an object, Image, Sound Document or signal by generating a series of numbers that describe a discrete (distinct) set of its points or samples.

The result is called digital representation or more specifically, a digital image, for the object, and digital form for the signal. In modern practice, the digitized data is in the form of binary numbers, which facilitate computer processing and other operations. Digital information exists as one of two digits, either 0 or 1. These are known as bits (a contraction of binary digits) and the sequence of 0s and 1s that constitute information are called bytes.

Digitalisation is of crucial importance to data processing, storage and transmission, because it "allows information of all kinds in all formats to be carried with the same efficiency and also intermingled".

ADVANTAGES :-

1) Increased productivity and efficiency : ATM, Railway reservations, Hospitals.
2) Cost Leadership :- gold prices changed from day to day, Insurance premiums/benefits.
3) Easy to access and always accessible.
4) Govt :- E-Seva, in A.P, water bills, Telephone, electricity, education certificates
5) Expansion strategies :- Demand, Merger, Joint venture strategies
6) E-travel, E-learning (online Learning)
7) Environmental changes.

Disadvantages :-

1) At present Computer Hacking is a big threat to digital Transactions. However, adapting safe Cyber Security Solutions.
2) People will use free wi-fi's, just for Time pass and ultimately leads to Cyber Crimes.
3) Due to Server down, net working down problems, business organisations, especially banking sector facing severe problems.
4) Information / Computer data may be stolen.
5) To some extent employment opportunities may reduce.

IMPACT of DIGITAL INDIA

1) Broad Band in 2.5 lakh villages, universal phone Connectivity.
2) Net zero Imports by 2020
3) Providing 4,00,000 public Internet access points
4) wi-fi facilities in 2.5 lakh schools, All universities, public wi-fi Hotspots for citizens.
5) e-governance & e-Services across govt.
6) Digital Inclusion :- 1.7 crore Trained for IT. and electronics Jobs.
7) Job creation :- 1.7 crores direct Jobs and .5 cr Indirect Jobs.

The digital economy is the New Productivity Platform that some experts, regard as the Third Industrial Revolution also known as, 'The Internet Economy' is expected to generate new market growth opportunities, Jobs and become the biggest business opportunity of man kind for the next 30 TO 40 years.

India comprising 15% of the world population, with a growth rate of 7 to 8% could be the second largest economy by 2030. India's new leadership considers the digital economy as a major growth enabler.

Focus areas include, agriculture, health, water quality, natural disaster, Transportation, Smart cities etc.

GLOBALISATION

sets using components worth $ 100 million imported from country A. The firm in country B exports the TV sets for a value of $ 110 to country C. Although the real entire value addition in this case is only $ 110 million (i.e., the value of the finished products – TV sets), the value of international trade recorded will be $ 210 million [value of components traded between countries A and B ($ 100 million) and value of trade between B and C ($ 110 million)].

The developing countries have been integrating faster into the global economy by trade because of their faster trade growth. See Boxes 5.4 and 5.5.

Box 5.4

Some Key Facts and Findings about Global Trade

- Dramatic decreases in transport and communication costs have been the driving forces behind today's global trading system. Geopolitics has also played a decisive role in advancing and reinforcing these structural trends.
- In the last 30 years, world merchandise and commercial services trade have increased by about 7 per cent per year on average, much higher than the increase in world production of goods and services. When trade is measured in value-added terms, services play a larger role.
- Between 1980 and 2011, developing economies raised their share in world exports from 34 per cent to 47 per cent and their share in world imports from 29 per cent to 42 per cent. Asia is playing an increasing role in world trade.
- For a number of decades, world trade has grown on average nearly twice as fast as world production. This reflects the increasing prominence of international supply chains and hence the importance of measuring trade in value-added terms.
- Simulations show that in a dynamic economic and open trade environment, developing countries are likely to outpace developed countries in terms of both export and GDP growth by a factor of two to three in future decades. By contrast, their GDP would grow by less than half this rate in a pessimistic economic and protectionist scenario, and export growth would be lower than in developed countries.

Courtesy: WTO, *World Trade Report*, 2013.

Globalisation

A profound impact of the sweeping political changes across many parts of the globe since the late 1970s is the boost to globalisation, i.e., the cross-border flow of goods, services, labour, technology finance and ideas. From a corporate point of view, globalisation is a way of corporate life necessitated, facilitated and nourished by the transnationalisation of the world economy and developed by corporate strategies. Globalisation is an attitude of mind – it is a mind-set which views the entire world as a single market so that the corporate strategy is based on the dynamics of the global business environment. International marketing or international investment does not amount to globalisation unless it is the result of such a global orientation.

Globalisation encompasses the following:

- Doing, or planning to expand, business globally.
- Giving up the distinction between the domestic market and foreign market and developing a global outlook of the business.

- Locating the production and other physical facilities on a consideration of the global business dynamics, irrespective of national considerations.
- Basing product development and production planning on the global market considerations.
- Global sourcing of factors of production, i.e., raw materials, components, machinery/ technology, finance etc. are obtained from the best source anywhere in the world.
- Global orientation of organisational structure and management culture.

Companies which have adopted a global outlook stop "thinking of themselves as national marketers who venture abroad and start thinking of themselves as global marketers. The top management and staff are involved in the planning of worldwide manufacturing facilities, marketing policies, financial flows and logistical systems. The global operating units report directly to the chief executive or executive committee, not to the head of an international division. Executives are trained in worldwide operations, not just domestic or international. Management is recruited from many countries, components and supplies are purchased where they can be obtained at the least cost, and investments are made where the anticipated returns are the greatest."[17]

A truly global corporation views the entire world as a single market – it does not differentiate between domestic market and foreign markets. In other words, there is nothing like a home market and foreign market – there is only one market, the global market.

Box 5.5

A Borderless and Flat World

Some candid indications of the increasing integration and globalisation of the world economy and the factors which foster them are given below.

The value of foreign trade (goods and services) as a percentage of world GDP increased from about 42 per cent in 1980 to 62 per cent in 2007 (in 2008 and 2009, the figures were lower, impacted by the global economic crisis).

Foreign direct investment (FDI) has increased tremendously in the last few decades and has been playing an increasing role in investment in a growing number of countries. More information on this is provided in the following sub-section.

The foreign portfolio investment (FPI), like the foreign institutional investment (FII), has surged and it plays a very important role in the capital markets of developing countries.

Thomas L. Friedman in his highly acclaimed *The World is Flat*[18] explains that a combination of technological, market, and geopolitical events at the end of the twentieth century had levelled the global economic playing field in a way that was enabling more people than ever, from more places than ever to take part in the global economy – and, in the best of cases, to enter the middle class. The combination of the important factors which contributed to this flattening are:

1. The proliferation of the personal computer, which enabled individuals to create words, data, spreadsheets, photos, designs, videos, drawings, and music etc. on their own PCs in the form of bits and bytes, which, in its turn, could be shaped in many more ways and distributed to many more places.
2. The power of the PC has been propelled to globalisation by the Internet, the World Wide Web, and the Web browser — a set of tools that enabled individuals to send their digital content anywhere in the world virtually for free and to easily display or access that content via Web pages.

3. The third flattener was a quiet revolution in software and transmission protocols, which Friedman calls the "work flow revolution" because of how it made everyone's computer and software interoperable—thus enabling work to flow farther and faster through internal company networks, the Internet, and the World Wide Web. This enabled organisations and individuals across the world to link together for efficient R&D and supply chain management.
4. These flatteners were given a substantial thrust by a big geopolitical flattener — the collapse of Communism resulting in the elimination of a huge physical and political roadblock on the global economic playing field. The collapse of communism has given an impetus to liberalisation in a number of other countries including India.

Friedman observes that, put all these flatteners together and what we have is a much more seamless, unobstructed global marketplace. In this global agora, millions and millions of new consumers and producers were able to buy or sell their goods and services—as individuals or companies—and were able to collaborate with more people in more places on more things with greater ease for less money than ever before. That is what Friedman means by a flat world.

However, there are many, particularly in the context of rethinking globalisation against the background of the global economic turmoil, that we have not reached the end of history or geography and that the world is not as flat as some people want us to believe. World Bank's *World Development Report* 2009, for example, argues that the world is not flat. According to the Report, development is neither smooth nor linear—at any geographic scale. Growth comes earlier to some places than to others. Geographic differences in living standards diverge before converging, faster at the local scale and slower as geography exercises its influence. These are the stylised facts, based on the experiences of successful developers over the last two centuries. Technological progress and globalisation have increased market potential in the leading areas of developing countries, intensifying concentration and amplifying spatial disparities.

TECHNOLOGICAL REVOLUTION

As indicated in Box 5.5, technology is one of the very important flattners which promote a borderless world.

Rapid technological developments which have reduced the cost of transportation and communication dramatically and improved the speed and efficiency revolutionarily have been driving far-reaching social and economic changes across the globe. The global economic integration and globalisation of supply chain management have been driven fast by technological developments. Internet, cable TV etc. have contributed substantially to cultural diffusion globally, both good and bad. Technological developments have facilitated the emergence of the 'global village'. Several cost and time-saving innovations and emergence of new technologies in a number of other areas such as preservation of perishables gave a substantial boost to global trade and internationalisation of trade.

The internet has facilitated direct contact between producers/suppliers and buyers and this has empowered even small firms and individuals, overcoming the power of intermediaries.

It is pointed out that China could not have become the new "workshop of the world" without the trans-Pacific "conveyer belt" provided by breakthroughs in containerisation after the 1970s. India could not be a new global services hub without the invention of fibre optics and broadband. It is because of these technological forces that the nature of the global economy is profoundly changing, and with it the political, social and institutional structures needed to sustain and legitimise it. The unprecedented integration and expansion of the world economy ... is a testament not just to the enduring power of underlying technological and market forces but to the success of the post-war political order that has been so critical to harnessing and managing these forces.[19]

As a WTO Report observes, two broad questions emerge from this discussion. First, will the same shaping factors that have given rise to today's global trade system likely continue in the immediate and longer-term future? In particular, will transport and communication costs continue their dramatic, linear decline as a result of continued incremental technological improvement or even the introduction of entirely new technologies? Or will marginal improvements begin to diminish in the future, making declining transport and communications costs a less salient shaping factor for world trade – even leading to a slowing of trade growth? Secondly, to what extent can we expect future political shocks to the trading system? And can these shocks be anticipated and hopefully avoided? One of the lessons from the last two centuries is that geopolitics has a decisive impact – for good or ill – on underlying technological and structural trends. The current globalisation phase began in 1945 with the rise of US hegemony and the advent of the Bretton Woods System, and then accelerated with China opening upto the world in 1979 and with the end of the Cold War in 1989. What kind of international political accommodation or system is needed for the future?[20]

Technology increases productivity, efficiency and ease of operations facilitates operations at different scales and places and helps accelerate economic growth and globalisation.

GLOBAL ECONOMIC POWER SHIFT

A very important environmental analysis highly relevant for strategy formulation, particularly by MNCs, is the global economic power shift.

For a long time now, the economic growth rate and the export growth rate of the developing economies, for instance, have been significantly higher than those of the developed economies and this trend is expected to continue in the future. When developed countries suffered an economic recession or stagnation during 2007/2008, several developing countries, notably China and India, performed comparatively very well.

The developing countries (according to the World Bank's *World Development Report* 2011, there were 144 low and middle income economies, each with a population of more than 30,000) in general, have been growing faster than the developed ones. They are inhabited by about 84 per cent of the world population but has a share of only 28 per cent of the global GDP. In purchasing power parity terms, however, they account for about 44 per cent of the global. There are four developing countries (China, Brazil, India and Russia) among the 10 largest economies of the world. GNP measured at PPP, China is the second and India the fourth largest economies.

The trade of the developing countries has been growing much faster than that of the developed countries. Several developing economies have trade surplus with developed countries. A number of developing countries are now among the major exporters of the world.

In fact, developing country firms are making inroads into developed country markets.

This does not mean that all the developing countries will grow at high rates. The impressive picture of overall performance of the developing countries is the result of the very good performance of a small number of them – like China, India, South-East Asian economies, Russia, South Africa and some Latin American countries. Many developing economies present a very poor picture of performance – even very pathetic in a large number of cases.

Related and Supporting Industries

The presence in the nation of related and supporting industries that are internationally competitive creates advantages in downstream industries in several ways such as the supply of the most cost-effective inputs in an efficient and sometimes preferential way. More important, however, is the advantage they provide in innovation and upgrading, based on close working relationships.

Firm Strategy, Structure and Rivalry

National circumstances and context create strong tendencies in how companies are created, organised and managed as well as what the nature of domestic rivalry will be.

Among all the points on the diamond, domestic rivalry (i.e., competition) is arguably the most important because of the powerfully stimulating effect it has on all others. Domestic rivalry not only creates pressures to innovate but to innovate in ways that *upgrade* the competitive advantages of a nation's firms.

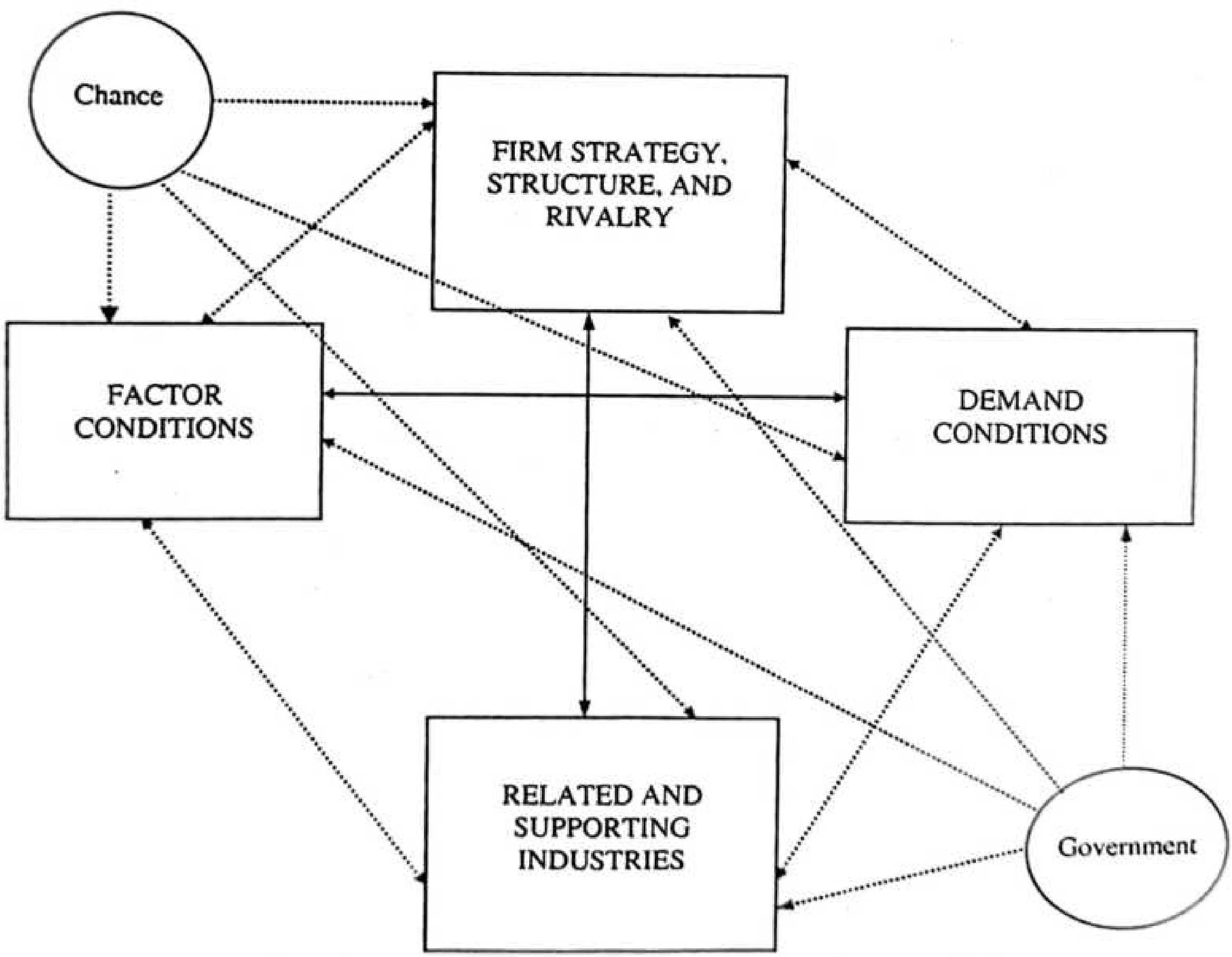

Fig. 17.3: Factors Determining Competitive Advantage of Nations

Role of Government and Chance

In addition to the above four determinants, which shape the competitive advantage of nations, two variables, viz., government and chance, also play important roles.

Government can influence each of the four determinants by industrial, fiscal and monetary policies, promotional and regulatory measures in respect of industry and trade etc.

Chance events can affect competitive position because of developments such as major technological breakthroughs or new inventions, political decisions by foreign governments, wars, significant shifts in world financial markets or exchange rates, discontinuities in input costs such as oil shocks, surges in world or regional demand etc.

The complete system determining the competitive advantage of nations, as presented by Porter, is portrayed in Figure 17.3. The system consisting of the four determinants excluding government and chance represents the diamond.

GLOBALISATION OF INDIAN BUSINESS

India's economic integration with the rest of the world was very limited because of the restrictive economic policies followed until 1991. Indian firms confined themselves, by and large, to the home market. Foreign investment by Indian firms was very insignificant.

With the new economic policy ushered in 1991, there has, however, been a change. Globalisation has, in fact, become a buzzword with Indian firms now and many are expanding their overseas business by different strategies.

The following sub-section takes a look at the hurdles to and prospects for globalisation of Indian business and the different globalisation strategies.

Obstacles to Globalisation

The Indian business suffers from a number of disadvantages in respect of globalisation of business. The important problems are the following:

1. Government policy and procedures: Government policy and procedures in India are among the most complex, confusing and cumbersome in the world. Even after the much-publicised liberalisation, they do not present a very conducive situation. One prerequisite for success in globalisation is swift and efficient action. Government policy and the bureaucratic culture in India in this respect are not that encouraging.

2. High cost: High cost of many vital inputs and other factors like raw materials and intermediates, power, finance infrastructural facilities like port etc. tend to reduce the international competitiveness of the Indian business.

3. Poor infrastructure: Infrastructure in India is generally inadequate and inefficient and therefore very costly. This is a serious problem affecting the growth as well as competitiveness.

4. Obsolescence: The technology employed, mode and style of operations etc. are, in general, obsolete and these seriously affect the competitiveness.

5. Resistance to change: There are several socio-political factors, which resist change, and this comes in the way of modernisation, rationalisation and efficiency improvement. Technological modernisation is resisted due to fear of unemployment. The extent of excess labour employed by the Indian industry is alarming. Because of this, labour productivity is very low and this in some cases more than offsets the advantages of cheap labour.

6. Poor quality image: Due to various reasons, the quality of many Indian products is poor. Even when the quality is good, the poor quality image in India has become a handicap.

7. Supply problems: Due to various reasons like low production capacity, shortages of raw materials and infrastructures like power and port facilities, Indian companies in many instances are not able to accept large orders or to keep up delivery schedules.

8. Small size: Because of the small size and the low level of resources, in many cases Indian firms are not able to compete with the giants of other countries. Even the largest of the Indian companies are small compared to the multinational giants.

9. Lack of experience: The general lack of experience in managing international business is another important problem.

10. Limited R&D and marketing Research: Marketing Research and R&D in other areas are vital inputs for development of international business. However, these are poor in Indian business. Expenditure on R&D in India as a percentage of GDP (R&D intensity) is less than one per cent and it has not shown any significant increase over time whereas it has increased from 2.47 per cent in 2001 to 4.03 in 2011 in respect of South Korea and nearly doubled from 0.95 per cent to 1.84 per cent for China.

11. Growing competition: The competition is growing not only from the firms in the developed countries but also from the developing country firms. Indeed, the growing competition from the developing country firms is a serious challenge to India's international business.

12. Trade barriers: Although the tariff barriers to trade have been progressively reduced thanks to the GATT/WTO, the non-tariff barriers have been increasing, particularly in the developed countries. Further, the trading blocs like the NAFTA, EC etc. could also adversely affect India's business.

Factors Favouring Globalisation

Although India has several handicaps, there are also a number of favourable factors for globalisation of Indian business.

1. Human resources: Apart from the low cost of labour, there are several other aspects of human resources to India's favour. India has one of the largest pools of scientific and technical manpower. The number of management graduates is also surging. It is widely recognised that given the right environment, Indian scientists and technical personnel can do excellently. Similarly, although the labour productivity in India is generally low, given the right environment it will be good. While several countries are facing labour shortage and may face diminishing labour supply, India presents the opposite picture. Cheap labour has particular attraction for several industries.

2. Wide base: India has a very broad resource and industrial base, which can support a variety of businesses.

3. Growing entrepreneurship: Many of the established industries are planning to go international in a big way. Added to this is the considerable growth of new and dynamic entrepreneurs who could make a significant contribution to the globalisation of Indian business.

4. **Growing domestic market:** The growing domestic market enables the Indian companies to consolidate their position and to gain more strength to make foray into the foreign market or to expand their foreign business.

5. **Niche markets:** There are many marketing opportunities abroad present in the form of market niches, as pointed out in Chapters 9 and 10. Such niches are particularly attractive for small companies. Several Indian companies have become very successful by niche marking.

6. **Expanding markets:** The growing population and disposable income and the resultant expanding internal market provides enormous business opportunities.

7. **Transnationalisation of world economy:** Transnationalisation of the world economy, i.e., the integration of the national economies into a single world economy as evinced by the growing interdependence and globalisation of markets is an external factor encouraging globalisation of Indian business.

8. **NRIs:** The large number of non-resident Indians who are resourceful — in terms of capital, skill, experience, exposure, ideas etc. is an asset which can contribute to the globalisation of Indian business. The contribution of the overseas Chinese to the recent impressive industrial development of China may be noted here.

9. **Economic Liberalisation:** The economic liberalisation in India is an encouraging factor of globalisation. The delicensing of industries, removal of restrictions on growth, opening up of industries earlier reserved for the public sector, import liberalisations, liberalisation of policy towards foreign capital and technology etc. could encourage globalisation of Indian business. Further, liberalisation in other country increases the foreign business opportunities for Indian business.

10. **Competition:** The growing competition, both from within the country and abroad, provokes many Indian companies to look to foreign markets seriously to improve their competitive position and to increase the business. Sometimes, companies enter foreign market as a counter-competitive strategy, i.e., to fight the foreign company in its own home market to weaken its competitive strength.

GLOBALISATION STRATEGIES

Indian industry can move towards globalisation by different strategies such as developing exports foreign investments including joint ventures and acquisitions, strategic alliance, licensing and franchising, etc.

Exporting

Exporting, of course, is one of the important ways of globalisation. With the economic liberalisation, an environment for globalisation of Indian exports, however, is slowly emerging. In a truly globalised environment, the exports will also be very much global: the sourcing of finance, materials and managerial inputs will be global, based on purely business considerations.

India has potential for significantly increasing the exports of many products if appropriate measures are taken. Although there are a number of products with large export potential, India failed to exploit the potential satisfactorily. Because of the advance made by other developing countries in the export of such products, although the situation has now become more difficult for India, there still exists a lot of scope for substantially increasing the exports of many of these products.

SOCIAL INCLUSION

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 areas. Growth may benefit not only the promoters and shareholders but also the consumers, suppliers and the national economy. Growth is not merely an objective but also a natural urge of a dynamic enterprise.

4. **Innovation:** According to Peter Drucker, there is only one valid definition of business purpose: "to create a customer and because its purpose is to create a customer, the business enterprise has two – and only two – basic functions"[48] marketing and innovation. Marketing and innovation produce results: all the rest are "costs".

5. **Betterment:** Drucker, who interprets innovation as the provision of different economic satisfactions, argues that "it is not enough for the business to provide just any economic goods and services; it must provide better and more economic ones. It is not necessary for the business to grow bigger; but it is necessary that it constantly grows better."[49]

6. **Market Share:** An increase in or maintenance of its market share is an important objective of many companies. Several companies also strive for market leadership. Sometimes, non-economic factors like the prestige and industry recognition associated with market leadership may be a more prominent factor than the economic factor which drives a company towards market leadership. Some companies also strive to attain market leadership even at the cost of profit maximisation.

Social Objectives

There has been a growing recognition of the social objectives and responsibilities of business. R.F. Barker aptly describes the situation as follows:

"Business traditionally has been responsible for quantities – for the supply of goods and jobs, for costs, prices, wages, hours of work, and for standards of living. Today, however, business is being asked to take on responsibility for the quality of life in our society. The expectation is that business - an addition to its traditional accountability for economic performance and results – will concern itself with the health of the society, that it will come up with the cures for the ills that currently beset us, and indeed, will find ways of anticipating and preventing future problems in these areas."[50]

Stern succinctly points out: "The more educated the society becomes, the more interdependent it becomes, and the more discretionary the use of its resources, the more marketing will become enmeshed in social issues. Marketing personnel are at interface between company and society. In this position, they have the responsibility not merely for designing a competitive marketing strategy, but for sensitising business to the social, as well as the product, demand of society."[51]

enmeshed in social issues. Marketing personnel are at interface between company and society. In this position, they have the responsibility not merely for designing a competitive marketing strategy, but for sensitising business to the social, as well as the product, demand of society."[51]

Comparison between Economic and Social Objectives

Economic Objectives	Social Objectives
1. Economic objectives are primarily concerned with the economic health of the enterprise.	1. Social objectives are concerned with the needs and welfare of the society.
2. Economic objectives serve the economic motive of the stockholders.	2. Social objectives serve the interests of the society.
3. Economic objectives are mostly enterprise oriented or enterprise centered.	3. Social objectives are social oriented.
4. Economic objectives are important both in short and long term.	4. The perspective of social objectives is mostly long-term.
5. Achievement of economic objectives is necessary for the survival and growth of the enterprise.	5. Social objectives justify the survival and growth of the enterprise.
6. Achievement of economic objectives is necessary for effective discharge of social objectives.	6. Social objectives justify economic objectives.
7. There is general agreement as to what constitute economic objectives.	7. There are differences of opinion as to what constitute social objectives.
8. Economic objectives are tangible.	8. Several of the social objectives are not tangible.
9. Economic objectives by themselves may benefit society.	9. Some of the social objectives reinforce the achievement of economic objectives.
10. Economic objectives are cardinal.	10. Social objectives are ordinal.
11. Economic objectives are basic objectives.	11. Economic objectives provide the base for pursuing social objectives.
12. Economic objectives are clear and definite.	12. Social objectives may have ambiguity.

Social objectives of business may be grouped into three broad categories, namely,

1. Objectives which protect consumer interests;
2. Objectives which protect the interests of workers; and
3. Objectives which protect the interests of the society.

Reconciliation of Social and Economic Objectives

We have seen above that the social and economic objectives encompass promoting the interests of different categories of people like the shareholders, workers, consumers, local population and the general public. The economic and social objectives may conflict with each other. Again, some of the social objectives may conflict with each other.

Furthering economic objectives may constrain some of the social objectives. For example, some of the efforts to increase the profit may adversely affect consumers if that results in price increase. Similarly, profit motive may harm workers' interests in some cases. Fulfillment of some of the social objectives may adversely affect the economic objectives. For example, enhanced expenditure on labour welfare, pollution control, social service etc. may eat into the profit. These could also affect