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COMMERCE
PAPER No. 05: Business Environment
MODULE No. 22 : Critical Elements of Social Cultural Environment

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1. Learning Outcomes (Times New Roman , size 14)

After studying this module, you shall be able to

- Understand the implications of socio-cultural environment
- Identify the critical elements of characteristics of Indian socio-cultural environment
- Correlate the influence of socio-cultural environment on business environment & vice-versa
- Analyze the impact of culture on organizational behaviour

2. Introduction

The term social-cultural environment of a country refers to surroundings consists of societal preferences, values, behaviour, customs and beliefs etc. Every society constructs its own environment. Each country develops its own environment in terms of food, drink or language. For example India had 200 different dialects, more the 179 different languages. Business need to understand that it can't exist in vacuum. Business operates in the society only and should be aware of changes that are occurring. For the existence and survival of business, business must adapt itself according to the dynamics of society and culture. It is essential for business to read the mind of consumer before the competitor to stay ahead in the market.

The socio-cultural environment of a country has influence of religion, family, educational background and the social system. Our world is a global village, where each country is connected to another in one or the other way. Each country has its own value system, beliefs, behaviour etc. All these factors pose different challenges for businesses. This chapter deals with the socio-cultural environment of business, its effects on business and how business deals with the challenges exposed by social-cultural environment.

3. Socio-Cultural Environment & Business: Relationship

For business social and cultural environment is an external environment created by the society at large. Business environment is surrounded by multi-cultural society where lots of sub-populations with unique values. Beliefs and customs exist simultaneously.

Each business faces two types of social and cultural environment as explained in the following figure.

Internal Social-Cultural Environment: Each organization has its own social environment known as internal social environment. As time passes each organization develops its own customs, beliefs, practices and behaviour within the confines of organization.

External Social-Cultural Environment: Organizations work in a society and needs, customs, beliefs of society affects business and its survival is known as external socio-cultural environment.

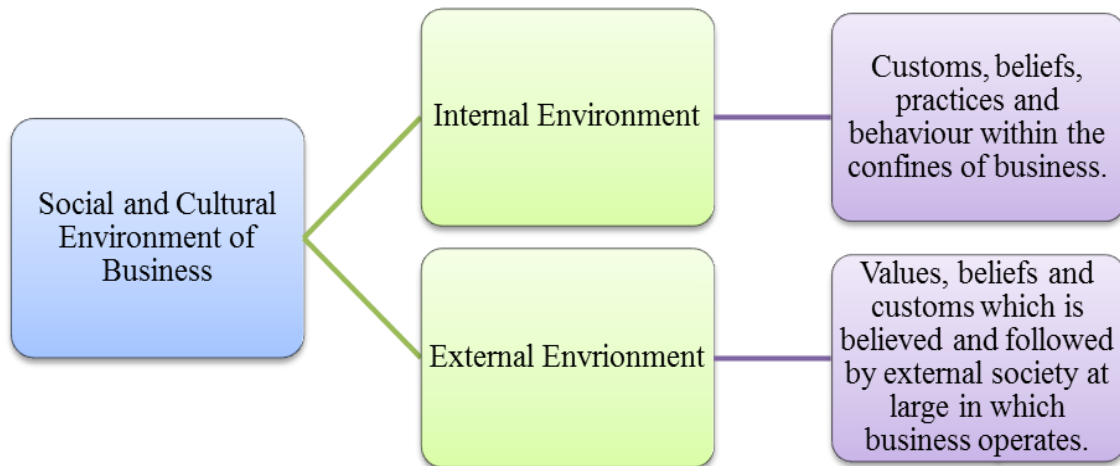


Figure 1: Types of Social-Cultural Environment of Business

To survive in the market it is necessary to understand the implications of external socio-cultural environment on business. Business should be aware of social preferences, needs and wants of society in which it is operating because all these factors are influenced by population values, beliefs & practice. At the same in this dynamic world where each day new changes are occurring should keep itself updated with the changes occurring in external environment. If any business refuses to adapt to social-cultural environment or social changes that are occurring then in the long run sales would decline as a result of bad reputation.

For example, when McDonald entered in Indian market people didn't accept it whole heartedly. Reason behind the skepticism was vast diversity in Indian religion and food habits. McDonald's served beef in their burger but in India for Hindu cow is sacred and for Muslims beef meat was not acceptable. Keeping in mind religious sentiments of Indian connected with cow McDonald's introduced their first vegetarian range in India. If

McDonald's had not adapted to the cultural environment of India, it would have failed in the Indian market.

The businessman cannot ignore the elements of social environment as these elements may look like not affecting business directly but in the long run the social environment has great impact on the business. For instance, PEPSI used the slogan of "Come Alive" in advertisement in all countries. But in China people misinterpreted the word as "Coming out of Graves". Therefore, they condemned the use of product and the demand of PEPSI started falling rapidly. So, at the

end company had to change its slogan because by overlooking the sentiments of people company cannot survive in the long run.

On the other hand when McDonald introduced its famous slogan “I’m lovin’ it” in Spain, they translated it into Spanish “Me encanta” i.e. I really like it. It was necessary to translate the slogan as in Spanish speaking countries love is considered a very strong word and is used only in certain situations.

Therefore, while designing business strategy social environment of the country should be crucially studied. One small mistake can lead to a great loss in the long run.

Socio-cultural environment covers factors such as social customs, traditions, culture, lifestyle, attitude of people, saving & spending patterns, size of population, demographic profile, education level, occupational structure, trade unions, and a lot of factors that influence and describe the behavioural characteristics of the people. But also includes the Corporate Social Responsibility initiatives undertaken by companies. CSR Initiatives CSR in India is in a nascent stage. It is still one of the least understood initiatives in the Indian development sector. A lack of understanding, inadequately trained personnel, non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. further adds to the reach and effectiveness of CSR programmes. However the situation is changing as CSR is coming out of the purview of 'doing social good' and is becoming a 'business necessity'. The business case for CSR is gaining ground and corporate houses are realising that what is good for workers - their community, health and environment is also good for business.

It is true that social cultural environment of a country affects its business environment at large. But vice-versa situation is also true. Sometimes business also influences social values. Through marketing, advertising and public relations businesses can influence and change the social values of people. It has been proved that marketing strategies are used to create trends in markets. Public relational tools are also used to repair bad reputation of organizations. For example, as people are becoming more health conscious fast food is being criticized by the whole world for its zero nutritional values. Therefore, now fast food outlets are offering healthier options to consumers to indemnify the loss of reputation.

4. Critical Elements of Socio-Cultural Environment

To generate revenue and maximization of profits, optimum utilization of available resources is a prerequisite. But whether an organization would be able to utilize available resources depends on internal and external factors. Socio-cultural environment refers to surrounding in which an organization operates. Socio-cultural factors such as social attitude, belief system, education etc. have impact on business. If any business overlooks or fails to understand the impact of socio cultural factors on business, it creates a situation where people will not be able to relate themselves with their product. And in the long run organization may go out of business.

Critical elements affecting socio-cultural environments are as follows:

Social institutions and system:

Social institutions and system of a country has great impact on the socio-cultural environment. The Caste system, joint family system, child marriage, and religion etc. affects social environment and business. Religious beliefs and superstitions of the people are affected by their environment. In India for example religious sentiments of people have given birth to a new business and a source of income to people.

Social values:

Social values of a society are not rigid anymore and keep on changing with time. Views towards authority, responsibility & delegation, attitudes of people towards different professions, role of ownership and management, are all undergoing rapid changes. Every business organization needs to adapt itself with the changes that are occurring in the social values or customs of an economy. At the same time a uniform business policy cannot be implemented throughout the world. Every country has its own social norms, values and customs and therefore it is a prerequisite for business to modify the business policies and strategy according to the social values of country in which business is operating.

Education and Culture:

When level of education in a country increases its impact on business also increases. Spread of education and their impact on business ethics, business morality and organizational culture are one of the major elements of socio-cultural environment of business.

Social Groups:

India is a dual economy where traditions and customs co-exist with the modern culture. India has a unique socio-economic order where there is a lot of differences exist in food, dress, language, religion and sub-culture. As time passes the order of socio-economic gets disturbed or needs modifications or alterations. Business needs to adapt itself with the changing.

Changing Preferences:

Preferences of consumer keep on changing & affect business and its strategies. What was popular 15 years back may not be in demand today and what is in demand today may not be desired by consumer tomorrow.

Demographics:

Demographics have significant impact on business. If large proportion of population belongs to younger age group then demand of music, fashion items, education etc. will be higher. But as populations ages demand for luxury and healthy products may increase. Changes in the proportion of gender, age group, income etc. significantly impact on the way a company does business.

Advertising Techniques:

Advertising agencies and marketers are required to judge the pulse of the people. Change in fashion, need, want of customers need to be tracked regularly because if changes in all these factors are not considered then business may fail.

Apart from the factors mentioned above quality of life, importance of women in workforce, birth & death rate, attitudes of consumers towards new products, education & literacy rates, size of population etc. can also have impact on social-cultural environment of a country.

Social environment of country is related to society but society ultimately comprises of consumers, investors, employees and the local community.

Some cultural variations around the world:

- Numeric number 7 is considered bad luck in Kenya, good luck in Czech Republic and has magical connotations in Benin.
- Red is a positive colour in Denmark but represents death in many African countries.
- In Japan if you are visiting a home with a gift, it is considered good. But in case of Soviet Union the same is considered as bribe.
- Pepsodent toothpaste was unsuccessful in Southeast Asia because it promised white teeth to a culture where black or yellow teeth are symbol of prestige.
- Some cultural variations as mentioned above have great impact on business environment.

5. Impact of Culture on Organizational Behaviour

Culture is combination of beliefs and values that people of an economy follows. The soul of an organization is culture. The beliefs, values works as guidelines for people to decide what is to be done? How it is to be done? Culture is not a rocket science; it can be learned, shared easily. Behaviour of people is largely depends on the culture in which he has been brought up.

In organization following types of culture may be found:

- Dominant Culture

- Sub-Culture
- Bureaucratic Culture
- Clan Culture
- Market Culture

All organizations face some cultural issues like ethical issues, issues arising due to diversity of employees and leadership behaviour. For the long term survival and organization is required to

evolve its culture and change it continuously. Organization culture should of such type that it creates feeling of sharing among the employees of the organization. Coordination and cooperation among the employees is prerequisite for the achievement of organizational goal on time. Friendly and sharing environment among employees created a healthy work culture in the organization.

On the other hand any kind of negative culture may create conflicts and cause resistance to change. Concept of individualism rather than collectivism can never work in favor of organization. In the long run it creates negative culture in the organization which may result in blame-game, unaccomplished targets and ego clashes.

In India a lot of changes have been occurred in organizational culture. Now more perks and incentives are being offered to employees, female employees are now being employees, facility of play center, gym etc. is being provided to employees.

In India, there are many Social reforms that are taking place and affecting the business. The common factors of Indian Social Environment are:

- (a) Demand for reservation in jobs for minority and women
- (b) Demand for equal status of women by paying equal wages for male and female workers
- (c) Demand for automatic machines and luxury items in middle class families
- (d) The social movements to improve the education level of girl child.
- (e) Health and Fitness trend has become popular.

Each organization is required to understand the old culture first i.e. a culture with which employees are comfortable. With the time it is necessary for organization to evolve the new culture and create a vision for the future.

Culture of a society can have massive impact on management approaches and organizational behaviour. According to Hodgetts and Luthans suggested following contrast of culture and organizational behaviour:

(i) Centralized vs. Decentralized Decision Making:

Societies where centralized decision making is followed, all important decisions are taken by top management only. But societies where top, middle and lower level managers

simultaneously participate in decision making process, decentralized decision making is followed.

(ii) Individual vs. Group Reward:

In some culture group rewards are given more preference than individual reward to promote the feeling of cooperation among employees. In other countries individual outstanding efforts are rewarded.

(iii) Safety vs. Risk:

Some organizational decision makers are risk averse and therefore, face great high degree of dilemma with the conditions of uncertainty. But some decision makers are risk taker and takes decision under uncertainty.

(iv) Informal vs. Formal Procedure:

Some societies follow informal means to attained organizational objectives. In others, formal procedure for the attainment of targets and follow those procedure rigidly.

(v) High vs. organizational Loyalty:

In some societies people are more loyal and connected with their organization. But in some organization people don't find themselves very connected to organizations.

(vi) Cooperation vs. Competition:

Some societies encourage competition among people and some discourage competition and promotes cooperation among them.

(vii) Short term vs. Long term Horizon:

Some nations focus most heavily on short term goals and efficiency. But some nations are more interested in long term goals.

(viii) Stability vs. Innovation:

The cultures of some countries always welcome change and innovative ideas. On the other hand some countries encourage stability and resist for change.

6. Conclusion

In India employees are getting aware of their rights and welfare. They are getting attractive pay packages, incentives etc. Thus, growing awareness has contributed to a change in social environment in India. Society is quite aware about the organizational policies and their workings. It has become imperative for organizations to make sure that due to their operational activities the surroundings does not get disturbed. The community has become very sensitive towards issues like environment, pollution etc. Due to all this it has become a necessity for an organization to understand the need and wants of societies and act accordingly. Indian businessmen have also started giving preferences to Indian society. To meet the expectations of Indian people regular R&D are conducted to predict the possible changes in societal needs.

In conclusion it can be said that frequent changes are occurring in social environment and interdependency of society, culture and business is increasing day by day. It is essential for businesses to be alert on changes taking places on societal side and understand the sentiments of people attached with the culture to be successful in the long run.

7. Summary

The term social-cultural environment of a country refers to surroundings consists of societal preferences, values, behaviour, customs and beliefs etc. Every society constructs its own environment.

The socio-cultural environment of a country has influence of religion, family, educational background and the social system. Our world is a global village, where each country is connected to another in one or the other way. Each country has its own value system, beliefs, behaviour etc. All these factors pose different challenges for businesses.

Each business faces two types of social and cultural environment internal and external. Each organization has its own social environment known as internal social environment. As time passes each organization develops its own customs, beliefs, practices and behaviour within the confines of organization. On the other hand as organizations work in a society, needs, customs, beliefs of society also affects business and its survival is known as external socio-cultural environment.

The businessman cannot ignore the elements of social environment as these elements may look like not affecting business directly but in the long run the social environment has great impact on the business.

Corporate social responsibility is one of the most important but neglected fact of social environment. CSR Initiatives CSR in India is in a nascent stage. It is still one of the least understood initiatives in the Indian development sector.

As social cultural environment of a country affects its business environment at large. In the same way business also influences social values. Through marketing, advertising and public relations businesses can influence and change the social values of people.

Social institutions and system of a country has great impact on the socio-cultural environment. The Caste system, joint family system, child marriage, and religion etc, also affects business and its survival.

Views towards authority, responsibility & delegation, attitudes of people towards different professions, role of ownership and management, are all undergoing rapid changes.

When level of education in a country increases its impact on business also increases.

Preferences of consumer keep on changing & affect business and its strategies.

Demographics also have significant impact on business. If large proportion of population belongs to younger age group then demand of music, fashion items, education etc. will be higher.

Advertising agencies and marketers are required to judge the pulse of the people. Change in fashion, need, want of customers need to be tracked regularly because if changes in all these factors are not considered then business may fail.

Cultural is combination of beliefs and values that people of an economy follows. The soul of an organization is culture.

In organization different types of culture may be found like dominant, sub-culture, bureaucratic culture, clan culture and market culture.

For the long term survival and organization is required to evolve its culture and change it continuously. Organization culture should of such type that it creates feeling of sharing among the employees of the organization.

It is essential for businesses to be alert on changes taking places on societal side and understand the sentiments of people attached with the culture to be successful in the long run.