



RAMA UNIVERSITY

www.ramauniversity.ac.in

E-Content BCH-601 : Business Policy

Lecture 30

Prepared by:- Mr. Raj Kumar, Assistant Professor, Faculty of commerce and management, Rama University Kanpur

Scanning the Natural Environment

The natural environment includes physical resources, wildlife, and climate that are an inherent part of existence on Earth. Until the 20th century, the natural environment was generally perceived by business people to be a given—something to exploit, not conserve. It was viewed as a free resource, something to be taken or fought over, like arable land, diamond mines, deep water harbors, or fresh water. Once they were controlled by a person or entity, these resources were considered assets and thus valued as part of the general economic system—a resource to be bought, sold, or sometimes shared. Side effects, such as pollution, were considered to be externalities, costs not included in a business firm's accounting system, but felt by others. Eventually these externalities were identified by governments, which passed regulations to force business corporations to deal with the side effects of their activities.

Scanning the Societal Environment: STEEP Analysis

The number of possible strategic factors in the societal environment is very high. The number becomes enormous when we realize that, generally speaking, each country in the world can be represented by its own unique set of societal forces—some of which are very similar to those of neighboring countries and some of which are very different.

For example, even though Korea and China share Asia's Pacific Rim area with Thailand, Taiwan, and Hong Kong (sharing many similar cultural values), they have very different views about the role of business in society. It is generally believed in Korea and China (and to a lesser extent in Japan) that the role of business is primarily to contribute to national development; however in Hong Kong, Taiwan, and Thailand (and to a lesser extent in the Philippines, Indonesia, Singapore, and Malaysia), the role of business is primarily to make profits for the shareholders.⁶ Such differences may translate into different trade regulations and varying difficulty in the repatriation of profits (the transfer of profits from a foreign subsidiary to a corporation's headquarters) from one group of Pacific Rim countries to another.



STEEP Analysis: Monitoring Trends in the Societal and Natural Environments.

As

shown in Table 4–1, large corporations categorize the societal environment in any one

geographic region into four areas and focus their scanning in each area on trends that have

corporatewide relevance. By including trends from the natural environment, this scanning can

be called STEEP Analysis, the scanning of Sociocultural, Technological, Economic,

Ecological, and Political-legal environmental forces.⁷ (It may also be called PESTEL Analysis

for Political, Economic, Sociocultural, Technological, Ecological, and Legal forces.)

Obviously, trends in any one area may be very important to firms in one industry but of lesser importance to firms in other industries.

TABLE 4-1**Some Important Variables in the Societal Environment**

| Economic | Technological | Political-Legal | Sociocultural |
|-------------------------------------|---|------------------------------------|--------------------------------|
| GDP trends | Total government spending for R&D | Antitrust regulations | Lifestyle changes |
| Interest rates | Total industry spending for R&D | Environmental protection laws | Career expectations |
| Money supply | Focus of technological efforts | Global warming legislation | Consumer activism |
| Inflation rates | Patent protection | Immigration laws | Rate of family formation |
| Unemployment levels | New products | Tax laws | Growth rate of population |
| Wage/price controls | New developments in technology transfer from lab to marketplace | Special incentives | Age distribution of population |
| Devaluation/revaluation | Productivity improvements through automation | Foreign trade regulations | Regional shifts in population |
| Energy alternatives | Internet availability | Attitudes toward foreign companies | Life expectancies |
| Energy availability and cost | Telecommunication infrastructure | Laws on hiring and promotion | Birthrates |
| Disposable and discretionary income | Computer hacking activity | Stability of government | Pension plans |
| Currency markets | | Outsourcing regulation | Health care |
| Global financial system | | Foreign “sweat shops” | Level of education |
| | | | Living wage |
| | | | Unionization |