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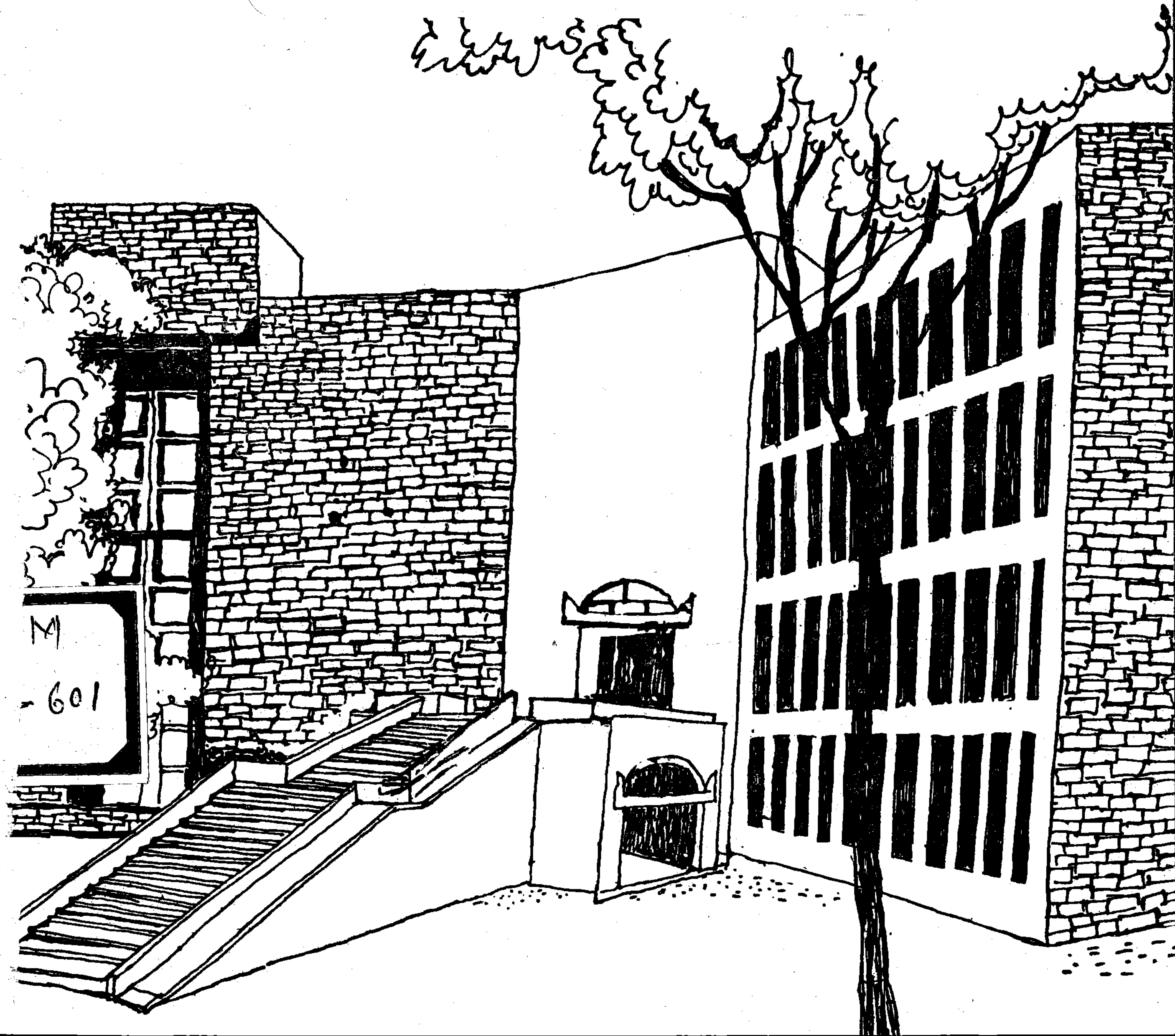
# Working Paper

MONITORING THE GOVERNMENT POLICY ENVIRONMENT

By

M.R. Dixit



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W P No. 601
March 1986



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Abstract

(Recent favourable and unfavourable changes in the government policies have prompted many corporations to review their corporate strategies. This has pointed to the need for monitoring the government policy environment formally and systematically.

This paper discusses the types of influences the government policies can have on the corporate strategy of a corporation and the various steps in developing an inhouse system for monitoring the government policy environment. It presents the findings of a study aimed at understanding the monitoring practice of large corporations. and illustrates how a large diversified company monitors the events centering around the announcement of the annual budget of the Central government).

## Government Policy and Corporate Strategy:

The plans of a large successful manufacturer of commercial vehicles to diversify into large passenger cars had to be suspended because the Government of India decided to review its policy towards foreign collaboration.

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Several months ago, liberalisation of the above policy had created diversification opportunities in the automobile sector and facilitated the entry of non-automobile companies into this sector.

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An MRTP company decided to give up the pursuit of acquisition of the chemical business of another company, because the various delays in obtaining clearance from the government had rendered the opportunity unprofitable.

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A large cotton textiles manufacturing company diversified into cement manufacturing, an unrelated business line, because this was the only profitable opportunity open to it within the restrictions imposed by the Government of India.

* * * *

A tight monitory policy in 1982, threw out of gear the massive expansion plans of both the commercial vehicles manufacturers in India.

* * * *

The strategic profile of a large multinational subsidiary in India has changed from that of a manufacturer of low priority items to that of a manufacturer of high priority items in response to FERA regulations.

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Another large company had to locate its new unit for manufacturing refrigerators in a backward area because the granting of licence to create new capacity was linked to the choice of such a location. The numerous concessions for units located in backward areas were helpful in implementing the project.

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One of the significant considerations of a multinational subsidiary manufacturing over the counter drugs in setting up a large R and D unit to undertake researches in Ayurvedic medicines was the tax concessions accorded to such an expenditure. It helped the company to increase its after tax return substantially and meet the goals sets by the parent company.

* * * *

The above examples point to the link between government policy and corporate strategy.

In a mixed economy like ours, the Government of India uses a mix of policies to influence the choice of products, objectives, markets, technologies and resource mix of the corporations to achieve its objectives of planned development.

Depending on the policy chosen, the following types of influences on the formulation and implementation of corporate strategies can be discerned.

Regulatory:

The regulatory policies deny opportunities for investing in certain areas and force the corporations to look for opportunities in certain other areas. They limit the expansion, diversification and divestment options available to the company. Policies such as Licensing, Foreign Exchange Control and Control of Monopolistic and Restrictive Trade Practices Act are examples of this kind of policies.

The shifts noted in the corporate strategies of some large deomestic and multinational corporations in India away from nonpriority sectors to priority sectors illustrate the influence of these policies. Left to themselves, they would have preferred to operate in their highly profitable non-priority business areas.

Promotional:

The Government provides several financial and non-financial incentives to encourage the corporations to choose certain preferred markets, projects, technologies and locations in desired sectors. These incentives are aimed at increasing the post tax return on investment, easing the availability of resources and reducing the time lag for implementing projects, and making certain areas of investment more attractive than certain others. Examples are various tax concessions like tax holiday, development rebate, depreciation allowance, tax exemption for certain types of expenditure like that of research and development, subsidies for setting up industries in backward areas and export promotion incentives. Pricing policies guaranteeing a reasonable return on investment also belong to this category.

The pricing policy assuring a lucrative return on investment in fertilisers has attracted large corporations to this industry.

Demand Inducing:

As a demand inducer the Government intervenes in the market place in two ways.

It announces policies and concessions that alter the price of the end product or structure of competition. Protectionist policies that increase the price of imported goods vis-a-vis domestic goods is a case in point. The budgetary policies that affect the end price of the product are another example.

A reduction in the excise duty on refrigerators last year, enabled their manufacturers to increase their sales by 58 per cent in four months.

In the second form of intervention the Government enters the market directly as a buyer. Its policies regarding purchase and preferences given to certain types of manufacturers provide, at times, the threshold demand needed to trigger off the necessary investment. The demand support given by the government to the producers of renewable energy products like solar heaters, wind mills and bio-gas plants illustrates this. But for an assured market they would not have entered this industry.

Generating Competitive Pressures:

By liberalising its restrictive policies and allowing imports and new entrants the Government can create competitive pressure and force the companies to have a second look at their strategies. Today, many Indian companies are doing so to face the challenges of competition generated by the liberalised policies.

Catalystic:

The policies governing the production, pricing and distribution of scarce raw materials smoothen or constrain the availability of vital inputs and hence the choice of technology or products requiring these inputs. For example, decisions to expand or create new capacity in the Aluminium industry is directly dependent on the assured availability and reasonable price of power which is the most critical input.

In the same way policies relating to the availability of short and long term funds and foreign exchange would determine the choice of resource mix to implement the strategies. The conversion clause and the implied loss of control to financial institutions has prompted some corporations to raise resources from the market in the form of public deposits and debentures and rely on internal resources.

By its liberal policy towards its own investment in infrastructure sectors like telecommunication, power, transportation and industrial estates in backward areas the government facilitates the speedy implementation of projects.

Given the above span of influence the need for monitoring and anticipating the changes in the government policies and their implications for strategic management is self evident. It is the total and not isolated influence of these policies that matters. A failure to meet this need may result in reactive and unplanned strategic shifts that could be detrimental to the performance of the company.

Towards Systematic Monitoring of Government Policy Environment:

Many companies might be monitoring the policy environment informally and on adhoc basis. It needs to be formalised and systematised. An organisation intending to monitor the government policy environment has the following options:

a) It sets up an inhouse system which takes up the activity all by itself.

b) It relies on the services of an external agency which does the entire monitoring for the company.

c) Part of the scanning and monitoring is done by the agency and the rest is done by the company.

The size of the company, the resources it can commit to this activity and the benefits expected should guide the choice.

An external agency can offer its expertise, data base and the experience of carrying out similar exercises for other companies. Total reliance on it, however, may deny the benefits of maintaining confidentiality, tailoring analysis to company's varying needs and business situations and utilising the knowledge about the policy environment which the company executives may obtain incourse of their routine business interaction.

In view of this option (c)is preferable as it provides both flexibility and expertise.

Having highlighted the need for monitoring, we will discuss the various steps in developing an inhouse system and the findings of a study aimed at understanding the monitoring practice of large organisations, and present an illustration of how a large diversified company monitors the events centering around the annual budget of the Central Government in the subsequent sections.

Organisational Arrangements:

There are several options in organising the policy monitoring activity in the company.

i) The monitoring is done exclusively by a small team appointed for the purpose.

ii) The monitoring is done exclusively by line executives whose activities are affected by the changes in government policy.

iii) A small staff team is appointed for the purpose but is supported by the line executives.

Our preference is for the third option which provides the benefits of both i) and ii). It not only gives the special attention due to this activity but also involves the line executives who have access to certain informal sources.

The small staff team chosen should possess adequate knowledge of the sources of information, techniques of analysis and the policy formulation process in the government and its determinants.

## An Incompany Seminar on Policy Monitoring

Once the team is constituted, it is desirable to recognise this formally by organising a short incompany seminar on policy monitoring. 'All those line executives whose support is needed for this activity should be the participants of this seminar. The seminar could discuss the objectives of policy monitoring, the content and requirements of policy monitoring and sources of information. There should also be a discussion on the policy formulation process in the Government and its determinants.

## Steps in Monitoring:

The task of monitoring the government policy changes could be divided into four linked subtasks namely identification, collection, interpretation and communication. In what follows we will discuss these subtasks in detail.

## Identification:

It is not advisable to spend resources on monitoring each and every policy of the government without discrimination. The company needs to identify the most relevant, relevant, less relevant and irrelevant policies for directing its efforts. These categories could be divided further if the company feels so. The idea is to differentiate the relevance of various policies.

The past experience of the company, its competitors and other companies operating in similar industries in India and abroad would be a meaningful guide in this exercise. In addition, the policy monitoring team could administer a questionnaire to the company executives and request them to rate the relevance of the various policies. The information so obtained could be used to categorise the policies. Given the federal structure of our country, they should consider the policies of both state and central governments. This should not be a one time exercise. The level of relevance attached to the various policies needs to bd reviewed periodically. Changes in the strategies of the company, unexpected significant developments in the economy or political changes in the country may change the relevance of a government policy.

For example, for a large machine tool manufacturing company in India, the policies of the Government regarding fertiliser pricing and consumption was irrelevant till it diversified into the production and sale of tractors and other agricultural implements. Many companies in India had attached low relevance to the policy of the Government relating to incentives for investment by non-resident Indians till they found that they had encouraged attempts to take over well established Indian companies. Similarly, corporations in India had attached least relevance to the policies of rural development before the election of Janata Party to power at the Centre in 1977. The level of relevance increased after 1977. This is evidenced by the spate of efforts by the companies to amend their memorandum of association to include rural development activities. The level declined after the party went out of power.

The next step is to identify the leading indicators and influencing factors in respect of the policies to be monitored. A study of the policy formulation process of the government would throw light on this.

Relevance Ranking of Policies - Some findings:

Based on the responses obtained from twenty four large private sector corporations in India we have ranked the relevance of various central and state government policies as in annexure 1A and 1B. These corporations were asked to rate these policies as most relevant, relevant, less relevant and irrelevant to their strategy formulation and implementation exercise. The basis for rating the relevance of the various policies was explained by a company as follows.

1) A policy is "most relevant" if it directly influences the company's business strategy, its products, markets and supplies.

2) A policy is "relevant" if it has an indirect influence on the company's plans or performance. For example, policies on import substitution can influence the manufacturing strategy.

3) A policy is "less relevant" if its influence on company's plans or performance is negligible.

4) A policy is "irrelevant" if it does not have any perceived impact on the company's business strategy.

## Central Government Policies

Table 1 presents the list of policies ranked as most relevant by a majority of the corporations. We find from the table 1 and annexure 1A that regulatory policies have been assigned greater relevance than promotional policies. Out of the top seven central government policies, four affect the financing decisions of the corporations. In a capital scarce economy like outs, where the sources of both long and short term funds are controlled dominantly by the government, attaching high relevance to the policies affecting the cost and availability of short and long term funds is appropriate. Regulatory policies like licensing and MRTP have also been given the importance due to them.

## Preference for debt over equity:

Another aspect to be noted from the ranking scheme is that the policies affecting the cost and availability of debt and internal generation of funds have been accorded higher relevance than those affecting equity finance. This is because of the preference for debt as a source of finance. In a study of the pattern of financial leverage of Indian company, Pandey[1] has found the following reasons for preferring borrowing as a source of finance.

a) Tax deductibility of interest on debt

b) Higher returns to shareholders due to gearing

c) Complicated procedure for raising equity

d) No dilution of ownership and control

e) Equity financing resulting in a permanent commitment.

Import Liberalisation Policies:

Policies relating to liberalisation of imports have been accorded higher relevance than those pertaining to import substitution, foreign exchange regulation or promotion of exports. Liberalisation of imports has a dual import. On the one hand it facilitates the acquisition of imported equipment and technology for better production and on the other, increases competition from foreigners. For an economy, which was protected till recently, the policies on liberalisation of imports have acquired an added relevance.

Policies for Promoting Indigenous R and D

Policies encouraging the promotion of indigenous research and development have occupied a middle position in the ranking scheme. Between technical and financial foreign collaboration policies the former is perceived to be more relevant than the latter - indicating that it is not funds but technology that is wanted more.

## Less Relevant Policies:

The policies that have been relegated to the bottom of the list are those concerning the development of agricultural and rural sector. Since changes in these polities affect the industry indirectly they have not been given high place in the ranking scheme. However, these corporations can ill afford to neglect the potential created by the policies of rural and backward area development.

What is disturbing is the lowest position of the policies relating to the employment of persons from weaker sections of the society. This is a pointer to the recognition of the prominence of commercial interests over social interests. Adherence to these policies is not mandatory for the private sector corporations.

## State Government Policies:

Table 2 presents the State Government's policies ticked as most relevant by the respondents. From Table 2 and Annexure 1A we note that taxation and incentive policies for industrial development have taken the top positions. Here again, the policies relating to rural and backward area development and employment of persons from weaker sections have taken aback seat.

Need for recognising the promotional influence:

While it is important to consider the regulatory influence of the central and state government policies, the need for paying greater attention to the promotional policies should not be undermined.

There could be two reasons for the findings. The incentive policies are not significant enough to create meaningful opportunities for these corporations. Secondly, the private sector corporations may not be aware of the existence of these policies. Our study has not investigated this further. If the second reason is valid, then the corporations have to expend efforts to recognise and monitor the changes in these policies to look for government incentive induced opportunities. If the first reason is true then the lower relevance is appropriate.

Collection:

Having identified the policies to be monitored, the next step is to identify the sources of information on these policies and installing a system for collecting the information. These sources could be published or unpublished or paid or free sources, or publicly available or private ones. One may have to use more than one source of information to expand or cross check the information already obtained.

The choice of the source should depend upon its cost, timeliness, accessibility, reliability and the level of relevance attached to the policy. For instance, there is no use in using a high cost source for a less relevant policy.

Table 3 presents the number of companies using the various sources of information on central government policies. This frequency is an indication of the importance of the source as a provider of the needed information.

We note from the table that the most widely used source is the report of industry associations. This is followed by published government reports,newspapers and periodicals. Thus we find greater reliance on published sources.

Only 50% of the companies use government officials as a source. Very few companies use private sources such as incompany studies, bankers, customers, suppliers and consultants.

The preference for published sources by a majority of the companies could be because they are easily accessible and their coverage is wider than unpublished sources.

Table 4 presents the frequency of companies using the various sources of information on state government policies. The published government reports have topped the list. This is followed by newspapers and industry association reports.

It is significant to note that the reports of industry associations are used widely by these companies. These associations could be considered as scanners of environmental information for the industry as a whole.

Use of multiple sources:

Table 5 and 6 provide information on the use of multiple sources of information by the respondents. The number of services used is an indication of the effort put in by these companies to expand and crosscheck the information obtained from one source. Ideally, the number of sources used should vary positively with the level of relevance of the policy, i.e., higher the relevance higher should be the number of sources used.

We do not find such a clear pattern in the responses given by the sample companies, though the number of companies using 5 or 6 sources is the highest for most relevant central government policies.

Only one company reported that it used all the thirteen sources.

Along with collection, the companies should devise appropriate systems for storage for ready retrieval and use. One of the simplest procedures is to maintain a file on each of the policies to be monitored. The file should be updated as and when new data is available. The advent of computers has made this task simpler.

Interpretation:

The step after data collection is interpretation. The monitoring team will have to look systematically for inter-linkages, trends and random developments and relate them with the earlier experience of the company or with others experience to analyse the implications of these developments for the immediate and long term future of the company.

Based on their study they should attempt to anticipate the subsequent developments and related changes in the various other policies monitored by the team. For example, some of the related questions to investigate in the context of the long term fiscal policy by the Government of India are:

a) Are there elements in the policy which warrant the announcements of long term incomes and price policies?

b) If yes, what are the likely contents of these policies? When would they be announced?

c) Are there any significant aspects which are missed by the long term fiscal policy? Is the government likely to pay attention to these aspects?

The company could use sophisticated techniques of model building and impact analysis to study the implications of changes in government policies.

Companies in India have not yet reached this level of sophisticated analysis. The analysis is still at the intuitive 'on the back of the envelope' level.

Communication:

This is an important subtask which should be given adequate attention. How do we communicate the information gathered and the analysis made? To whom should it be sent and when? How do we maintain the confidentiality of the information? These are the questions which the monitoring team should consider in executing this task. The range of media that could be used for dissemination vary from telephonic transmission to inhouse journals. Formal meetings could be convened to present the analysis orally. Among the companies studied, only one was publishing an inhouse journal to disseminate the information. Event based notes and circulation of paper clippings were common media for communication.

In a large company, the Chairman and Managing Director of the company himself chose to analyse and present to the members of the management committee the implications of the policies to be followed by the Janata Party Government in 1977. This was one of those never before kind of development, which deserved the highest attention in the company.

## Need for Review and Feedback:

The process of monitoring as described above should be reviewed formally and periodically to introduce the necessary changes in the process. The frequency of review should vary with the experience gained in monitoring. In the initial phase of learning the frequency has to be higher than in the later phase. The precise number would depend on the size of the company and the complexity of its operations. For instance it is easier to set up a monitoring system for a single business company than for a multibusiness company or for that matter for a single location company than for a multi-location company.

## Monitoring the Central Budget - An Illustration:

We present below the practice of a large diversified company in monitoring the central budget. A dominant part of this company's product portfolio is a range of capital goods the demand for which is dependent on the government's outlays to various sectors of the economy and protection through high import duties. Defence is one of its client sectors.

## Felt Need:

To the corporate manager, the budget represents a bundle of opportunities and threats. Reduction in corporate tax and related concessions, and increased plan and non plan outlays provide opportunities for expansion, diversification and generation of additional internal resources while increases in tax rates and cuts in expenditure operate in the reverse direction. The developments preceding and succeeding the announcement of the budget need to be monitored and interpreted systematically to be able to identify the implications of changes in the budgetary policies.

## Executives Involved:

The executives who are actively involved in monitoring and reporting the budget and its implications in this company are the company's economist, who is a member of the corporate planning team of the company, Manager (Taxation), and General Marketing Manager and his planning staff.

The company subscribes to the monitoring service provided by an external agency, which provides data on all the developments in the domestic and international economy. On its side the company has developed a supporting data base and an internal reporting system for communicating the relevant developments to the company executives.

Focus on the Budget:

A week before the announcement of the budget, the Corporate Planning Cell of the company comes out with a document entitled 'What to expect in the coming Budget?'. This is a kind of forecast of the likely changes the Finance Minister would announce in the ensuing budget based on the various newspaper announcements, published interviews of the Finance Minister and key government officials with press, industry associations and academics, analysis of past trends and information provided by company executives and the external agency. This note highlights the implications of the expected changes for the following aspects of company's business.

i) Demand for existing products

ii) Supply and cost of inputs

iii) Overall cost of production and marketing of the company's products

iv) Cost and implementation of existing and proposed investment projects

v) Competition

vi) New opportunities

vii) After Tax Return on Investment.

This note is sent to all the senior executives of the company. It keeps the executives tuned to the budget.

Announcement of the Budget:

On the day following the announcement of the budget, all the Directors and General Managers located in the Corporate Office and the marketing division meet to discuss the salient features and implications of the budget, based on whatever sources, newspapers being the main source available to them. Based on this discussion, a short write up on the budget proposals and their implications is prepared and circulated among all the senior and middle level executives of the company.

Following this, the corporate planning cell in association with the finance and marketing divisions collects additional information on the various proposals, makes arrangements to get the copies of the Finance Minister's speech, Economic Survey and explanatory memorandum through its liaison office at Delhi and monitors the response of the public, industry and academics and their relevance to the company. Based on this a more detailed analysis of the budgetary proposals and the anticipated modifications in the budget are presented to the directors and general managers in a note prepared for restricted circulation.

Approval of the Budget:

Once the budget is approved by the parliament, the corporate planning cell comes out with a fullfledged document on the budgetary proposals and their implications for the company which is discussed in a formal meeting of the Directors, General Managers and other senior executives. The meeting discusses the actions to be taken to thwart the threats and exploit the opportunities. The document and the actions recommended are circulated among all the officers of the company.

The Manager (Taxation) prepares a separate detailed note on the implications of the tax proposals. This note is circulated among the Accountants and Finance Officers of the company.

The corporate planning cell of this company has noted that monitoring the budget has always been an enjoyable experience since it has certain natural advantages such as an alround natural interest of all the company executives in the event, their willingness to part with advance information obtained from them from 'their' sources and a fixed schedule of announcement. The planning cell exploits these advantages by providing opportunities for constant and continuous interaction.

The other policy monitoring experiences have not been as enjoyable because of lack of interest of unaffected executives, non-availability of information at the right time, contradictory reports from multiple sources and unreliable sources. In such situations, the impetus for monitoring has to come from the top management in the form of explicit encouragement to this activity otherwise, the interest of the monitoring team itself would wither.

## Conclusion:

This article highlighted the need for monitoring the changes in government policies and their implications for the company's strategy through various examples and discussion of the types of influence government policies could have on the formulation and implementation of corporate strategy. It discussed the various steps in developing an inhouse monitoring system. The practice of large corporations in this regard was discussed. It was found that the corporations had tended to attach greater relevance to the regulatory policies of the government than the promotional ones. The role of industry associations and government officials and publications as sources of information was brought out. The need for reviewing the monitoring process was stressed. An illustration of how a large company monitored the central budget was presented.

Table 1

Policies Considered Most Relevant by a Majority of Large Comapnies

| Central Government Policy Regarding | Frequency | % of Total Respondents |
|---|---|---|
| 1. Licensing | 16 | 66.67 |
| 2. Conditions for Long Term Borrowing from public financial institution | 15 | 62.5 |
| 3. Interest Rate on Borrowing from Commercial Banks | 15 | 62.5 |
| 4. Control of Monopolies and Restrictive policies | 15 | 62.5 |
| 5. Corporate Taxation | 15 | 62.5 |
| 6. Interest Rate on Long Term Borrowing | 14 | 58.33 |
| 7. Conditions for Borrowing from Commercial Banks | 14 | 58.33 |

Table 2

| State Government Policy Regarding | Frequency | % of total Respondents |
|---|---|---|
| 1. Taxation | 14 | 58.33 |
| 2. Financial Incentives for Industrial Development | 14 | 58.33 |

Table 3

Sources of Information Used - Central Government Policies

| Relevance category / Sources | Most Relevant | | Relevant | | Less Relevant | |
|---|---|---|---|---|---|---|
| | Number of Companies | % | Number of Comapnies | % | Number of Companies | % |
| 1. Reports of Industry Associations | 19 | 86.36 | 9 | 45.00 | 6 | 40.00 |
| 2. Published Government Reports | 17 | 77.27 | 13 | 65.00 | 6 | 40.00 |
| 3. Newspapers | 16 | 72.72 | 14 | 70.00 | 7 | 46.67 |
| 4. Periodicals | 13 | 59.09 | 12 | 60.00 | 8 | 53.33 |
| 5. Professional Journals | 12 | 54.55 | 11 | 55.00 | 6 | 40.00 |
| 6. Government Officials | 12 | 54.55 | 9 | 45.00 | 5 | 33.33 |
| 7. Friends and Personal Contacts | 7 | 31.81 | 6 | 30.00 | 6 | 40.00 |
| 8. Incompany Studies | 6 | 27.27 | 6 | 30.00 | 2 | 13.33 |
| 9. Bankers | 4 | 18.18 | 10 | 50.00 | 2 | 13.33 |
| 10. Customers | 4 | 18.18 | 4 | 20.00 | 5 | 33.33 |
| 11. Suppliers | 3 | 13.63 | 4 | 20.00 | 6 | 40.00 |
| 12. Consultants | 3 | 13.63 | 4 | 20.00 | 6 | 40.00 |
| 13. Exhibitions | 1 | 4.65 | 2 | 10.00 | 5 | 33.33 |

Table 4

Sources of Information Used - State Government Policies

| Sources of Information | Most Relevant | | Relevant | | Less Relevant | |
|---|---|---|---|---|---|---|
| | Number of Companies | % | Number of Companies | % | Number of Companies | % |
| 1. Published Government Reports | 17 | 80.95 | 11 | 57.89 | 4 | 26.67 |
| 2. Newspapers | 15 | 71.43 | 14 | 73.69 | 7 | 46.67 |
| 3. Reports of Industry Associations | 14 | 66.67 | 10 | 52.63 | 5 | 33.33 |
| 4. Periodicals | 10 | 47.61 | 10 | 52.53 | 8 | 53.33 |
| 5. Professional Journals | 8 | 38.10 | 10 | 52.63 | 6 | 40.00 |
| 6. Government Officials | 8 | 38.10 | 10 | 52.63 | 2 | 13.33 |
| 7. Friends and Personal Contacts | 7 | 33.33 | 5 | 26.32 | 7 | 46.67 |
| 8. Incompany Studies | 4 | 19.05 | 5 | 26.32 | 4 | 26.67 |
| 9. Customers | 4 | 19.05 | 5 | 26.32 | 7 | 46.67 |
| 10. Bankers | 3 | 14.29 | 6 | 31.58 | 4 | 26.67 |
| 11. Consultants | 1 | 4.76 | 4 | 21.05 | 5 | 33.33 |
| 12. Suppliers | 1 | 4.76 | 4 | 21.05 | 6 | 40.00 |
| 13. Exhibitions | 1 | 4.76 | 3 | 15.79 | 6 | 40.00 |

Table 5

Number of Companies Using Multiple Sources for Central Government Policies

| Number of Sources | Most Relevant<br>Number of Companies | Relevant<br>Number of Companies | Less Relevant<br>Number of Companies |
|---|---|---|---|
| 13 | 1 | 1 | 1 |
| 12 | - | - | - |
| 11 | 1 | - | - |
| 10 | - | - | - |
| 9 | - | 2 | - |
| 8 | 1 | - | - |
| 7 | 1 | 1 | 1 |
| 6 | 5 | 4 | 4 |
| 5 | 5 | 3 | 3 |
| 4 | 2 | 4 | - |
| 3 | 3 | 3 | 1 |
| 2 | 3 | 1 | 3 |
| 1 | - | 1 | 2 |
| Total Number of Respondents | 22 | 20 | 15 |

Table 6

Number of Companies Using Multiple Sources for State Government Policies

| Number of Sources | Most Relevant Number of Companies | Relevant Number of Companies | Less Relevant Number of Companies |
|---|---|---|---|
| 13 | 1 | 1 | 1 |
| 12 | – | – | – |
| 11 | – | – | – |
| 10 | – | 1 | – |
| 9 | – | 1 | – |
| 8 | – | 1 | 1 |
| 7 | 2 | 1 | 2 |
| 6 | 3 | 2 | 2 |
| 5 | 3 | 2 | 3 |
| 4 | 4 | 2 | – |
| 3 | 2 | 5 | 1 |
| 2 | 5 | 1 | 1 |
| 1 | 1 | 2 | 4 |
| Total Number of Respondents | 21 | 19 | 15 |

Annexure 1A

Ranking of Central Government Policies in order of Relevance

| Central Government's Policy Regarding | Relevance Score | Rank |
|---|---|---|
| Interest Rate on Borrowing from Commercial Banks | 2.63 | 1 |
| Corporate Taxation | 2.61 | 2 |
| Conditions for Borrowings from Commercial Banks | 2.58 | 3.5 |
| Licensing | 2.58 | 3.5 |
| Interest Rate on Long Term Borrowing | 2.54 | 6 |
| Conditions for Long Term Borrowing from Public Financial Institutions | 2.54 | 6 |
| Control of Monopolies and Restrictive Trade Practices | 2.54 | 6 |
| Industrial Relations | 2.38 | 8 |
| Liberalisation of Imports | 2.17 | 9.5 |
| Promotion Indigenous Research & Development | 2.17 | 9.5 |
| Protection and Subsidies | 2.13 | 11.5 |
| Financial Incentives for Industrial Development | 2.13 | 11.5 |
| Import Substitution | 2.08 | 13.5 |
| Technical Foreign Collaboration | 2.08 | 13.5 |
| Foreign Exchange Regulation | 2.04 | 16 |
| Promotion of Exports | 2.04 | 16 |
| Wages and Income | 2.04 | 16 |
| Raising Equity in the Stock Market | 2.00 | 19.5 |
| Commodity Taxation | 2.00 | 19.5 |
| Bonus | 2.00 | 19.5 |
| Location of Industries | 2.00 | 19.5 |
| Rationing and Price Control | 1.96 | 22 |
| Nonfinancial Incentives for Industrial Development | 1.92 | 23 |
| Financial Foreign Collaboration | 1.78 | 24 |
| Promotion of Renewable Energy Resources | 1.75 | 25 |
| Rural and Backward Area Development | 1.58 | 26 |
| Agricultural Pricing Policy | 1.36 | 27 |
| Agricultural Credit Policy | 1.35 | 28 |
| Employment to persons from weaker sections of the society | 1.21 | 29 |

Overall average of all the factors = 2.08

## Annexure 1B

### Ranking of State Government Policies in order of Relevance

| State Government Policy Regarding | Relevance Score | Rank |
|---|---|---|
| Taxation | 2.29 | 1 |
| Financial Incentives for Industrial Development | 2.13 | 2 |
| Location of Industries | 2.00 | 3 |
| Nonfinancial Incentives for Industrial Development | 1.88 | 4 |
| Rural and Backward Area Development | 1.67 | 5 |
| Employment to Persons from Weaker Sections of the Society | 1.33 | 6 |
| Agricultural Credit | 1.25 | 7 |

Overall average of all the factors = 1.79

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## FOOT NOTE

1. See Pandey (7, 1984).